Accountability in Government
Selected Performance Highlights
2nd Quarter, Fiscal Year 2014

Pursuant to the Accountability in Government Act (AGA), quarterly reports are required of key agencies including performance measures and results approved by the Department of Finance and Administration (DFA), and other measures the agencies consider important to operations. Each quarter, LFC analysts review agency performance reports and develop report cards for select measures.

Overview: Halfway through FY14, agency performance results are mixed with many agencies missing targeted levels. In the case of agencies dependent on staff to provide direct services, such as in the Department of Corrections, Department of Health, and the Children, Youth, and Families Department, results were impacted by high vacancies. The performance review now also includes a quarterly investment report.

Performance of note, by major area, in the second quarter is as follows:

Education (pg. 9-14)

- The format for report cards for both the Public Education Department (PED) and Higher Education Department (HED) were revised to focus on the departments' efforts and programming. Since these departments generally report annual and not mid-year results from school districts and higher education institutions, this new format highlights the departments responsibilities more clearly.

- PED continues to struggle to provide adequate technical assistance and oversight to school districts and charter schools statewide, in part because of high vacancy and turnover rates. The most current organizational listing report (TOOL) indicates PED is operating with 204 FTE, despite the agency having funding for approximately 50 additional FTE. In November 2013, PED indicated approximately 35 vacant positions were in various stages of recruitment; five months later, the number of filled FTE has only increased by four.

- Auditors reported HED resolved half of its prior audit findings, repeated half of its prior audit findings, and cited only one new finding for FY13. Of the repeated or modified findings, material weaknesses include a lack of general ledger reconciliation procedures and incomplete capital project accounting and reporting. The department cited insufficient staffing or high turnover in key positions as the reason for a failure to comply with processes or address findings.

- HED reported nearly 450 thousand adults in the state need adult basic education programming; however, the state currently serves about 5 percent, or 20 thousand individuals.

Human Services, Behavioral Health, and Medicaid (pg. 15-17)

- The Human Services Department's (HSD) Medicaid program reported 56 percent of infants received at least six well child visits during the first 15 months of life and 77 percent of older children had at least one well child visit during the year; however, HSD expects to meet the targets of 72 and 92 percent, respectively. New Mexico reported 66 percent of infants received at least six well child visits during the first 15 years of life, which is higher than the national average of 60 percent.

- HSD reported 60 percent of two-parent households and 50 percent of all families were in compliance with federally-required Temporary Assistance for Needy Families work requirements, meeting both performance measure targets.

- The Behavioral Health Collaborative reported 72 percent of people receiving drug treatment and 73 percent of people receiving alcohol treatment showed improvement, but these results are lower than the performance targets of 80 percent and 90 percent, respectively.

- The behavioral health network is facing a number of challenges in 2014, including the transition from a single behavioral health managed care organization to four managed care contractors providing physical, as well as behavioral health services. Also, the closure and eventual replacement of 12 New Mexico behavioral health providers with Arizona-based firms during 2013 led to numerous reports of service disruptions. The New Mexico providers had reimbursements suspended due to allegations of fraud forwarded by HSD to the Attorney General (AG) for investigation; unable to maintain operations without Medicaid reimbursements these providers eventually closed. However, as of February 2014, the results of only one investigation have been released by the AG. The AG did not find credible evidence of Medicaid fraud, although there were billing errors.

Health (pg. 18-20)

- The Department of Health indicated the number of individuals on the developmentally disabled (DD) Medicaid waiver program increased by 441 individuals from the first quarter, and increased by 364 individuals from FY13. Currently, 4,193 individuals are reported as receiving DD waiver services, while 6,236 remain on the wait list.

- DOH reports the occupancy rate for staffed beds was 66 percent in the second quarter of FY14. However, the average occupancy rate for all licensed beds was less than 62 percent at the end of the first quarter, with second quarter data not yet reported. Measuring the facilities' occupancy rate per licensed bed is a better indication of the state's overall return on investment, particularly as the Legislature continues to appropriate sufficient funding to fill positions within the facilities and increase the occupancy rates.

- DOH collection of third party revenues in the Facilities Management Program reflects a downward trend from FY11 to FY13.

- New Mexico ranks fifth in the country with a suicide rate of 19.2 per 100,000 persons compared to the national rate of 10.5 per 100,000 persons.

- New Mexico's alcohol-attributable death rate is the worst in the country and its drug overdose death rate is the second highest in the nation.

- New Mexico has the highest teen pregnancy rate in the country with 68 percent of teenaged mothers, 55 percent of mothers between the ages of 20 and 24 years old, and 51 percent of rural mothers having unintended pregnancies.

Aging and Long Term Services (pg. 21)

- The 2010 study of senior hunger by the Meals on Wheels Research Foundation, Inc. reports 83,187, or 21.2 percent, of New Mexican seniors, ages 60 and over, are estimated to have food insecurity, which ranks second in the nation. ALTSD reports the rising cost of food and fuel resulted in flat service levels even though the annual budget has increased. The Legislature increased funding for meals and Aging Network services by $1.6 million in FY13, $1.3 million in FY14, and $1.6 million for FY15, and should expect to see some increase in the number of consumers and meals served.

Children, Youth and Families (pg. 22-23)

- Youth recidivism increased 1.4 percent in the second quarter.

- The vacancy rate for CYFD caseworkers remains high, impacting investigations and the ability to provide intensive work with families.

- In FY15, the Protective Services program will receive significant additional resources for the care and support of children in custody, foster parents, and rentention and recruitment pay increases for frontline direct service employees.

- The increase in substantiated maltreatment within six months of a prior determination is of concern, however, due to renewed attention CYFD is working on reforms to improve child health and safety.

- While the percentage of children receiving child care assistance from three-to-five star providers is above targeted levels, the agency is currently implementing the FOCUS provider ratings system which is considered a higher quality standard than the star system.

Public Safety (pg. 24-27)

- In the second quarter, alcohol-related traffic fatalities and the number of DWI arrests declined. The number of saturation patrols and enforcement projects conducted by the Department of Public Safety (DPS) were well above last year's pace, suggesting the decrease in DWI-related fatalities may be related to department efforts.

- To address manpower related performance issues LFC recommended, and the Legislature appropriated, $3 million to implement the first phase of the the $10.8 million proposed pay plan. Salary changes are intended to increase salary competitiveness within the local market and increase separation between ranks, addressing poor recruitment and retention.

Transportation (pg. 28-29)

- With 77 traffic fatalities reported in the second quarter, DOT remains on track to meet FY14 targets related to traffic fatalities, even with the slight increase in non-alcohol fatalities reported in the second quarter.

- With a total of 44 in the first half of FY14, alcohol-related fatalities remain far lower than reported in previous fiscal years. The department attributes this improvement to high-visibility law enforcement operations and more intensive DWI enforcement programs.

Natural Resources (pg. 30-38)

- High activity in the Permian Basin and the resulting benefit to the state economy through royalties and severance taxes emphasize the importance of the Energy, Minerals and Natural Resources Department's timely inspection of oil and gas wells. However, the agency noted, it may not sustain the same level of inspections as reported in previous fiscal years due to problems with recruitment and retention primarily stemming from competition in the private oil and gas sector in New Mexico. This has contributed to a vacancy rate of 23 percent for the first half of FY14.

- Although the number of acres in the state treated for overgrowth increased in the second quarter to 4,484 acres, estimates are that 50 thousand to 100 thousand acres should be treated per year to proactively thin overgrown forests so they are more resilient to fire, drought, insects and disease.

- Adjudication of water rights continues at a glacial pace. LFC staff, with cooperation from AOC staff, developed a quarterly progress report on adjudications containing goals, budgets and FTE resources, as well as quantitative and qualitative progress metrics. For the Lower Rio Grande adjudication, which began in 1996, 60 percent of the total number of subfiles have been sent to date, whereas 41 percent of the total number of subfile orders have been filed to date. A subfile is a water claim or collection of water claims within a specific hydrographic survey area which is/are associated with the same person(s) or entity.

Economic Development and Tourism (pg. 39-41)

- New Mexico now has the lowest effective tax rate for manufacturers in a nine-state western region, according to an updated tax competitiveness study by the New Mexico Tax Research Institute and Ernst & Young. The state's average effective tax rate for manufacturers dropped from 8.1 percent in a 2011 study to 3.3 percent in the updated study after applying tax credits -- well below the average of 6.3 percent for the remaining eight states. Yet, the state is lagging the region in job growth.

- The tourism industry led the state's job growth in FY13 and in the first quarter of FY14; however, the growth rate decreased in the second quarter to a more moderate 1.7 percent, slightly exceeding the national average for job growth. The sector added 1,500 jobs from December 2012 to December 2013. The Tourism Department remains a leader among state agencies for strategic planning and data-driven investments.

Workforce Solutions (pg. 42-43)

- The average time to complete a transaction with the unemployment insurance call center increased to 68 minutes in the second quarter. The call center was significantly impacted during the second quarter by the federal government shutdown, seasonal agricultural workers, and the pending end of the Emergency Unemployment Compensation (EUC) program.

General Government (pg. 44-54)

- The State Personnel Office reports it takes an average of 78 days to fill a position, nearly double the FY14 target and above FY12 and FY13 actuals.

- The statewide classified service vacancy rate of 15.3 percent declined significantly from FY12 and FY13 actuals, but remains above FY14 targets. State classified service employment levels are up slightly compared with the previous fiscal year.

- The Risk Management Program of the General Services Department improved its rate setting process and efforts to share loss data with customer agencies. However, the program still relies on agencies to self-report, analyze trends and implement loss prevention activities, which are not always monitored for compliance against any industry standard or best practice.

- The Group Benefits Committee of the General Services Department has not met since FY12 and as such, did not provide the requisite oversight for employee benefit changes for FY14 or FY15. In addition, existing performance measures are inadequate for a program which pays $350 million in claims each year, or 75 percent of the General Service Department's expenditures.

- The Facilities Management Program of the General Services Department reports that out of 180 capital projects, only 8 funded projects are off schedule. However, not reflected in the findings are delays from 15 projects requiring change orders and 19 projects on hold due to incremental funding, internal processes and reasons sometimes outside the program's control.

- Even though progress has been made improving state procurement practices, violations are up because agencies do not always comply with procurement regulations and employees involved in procuring goods, services and capital assets do not always have the requisite skills and knowledge.

- The Taxation and Revenue Department signed a contract with FAST Enterprises to implement its new computer system for managing driver and vehicle services records. The TRD project will be completed by the end of FY16 at a cost of $16 million in general fund revenue and $24.4 million in TRD fund balances and fee revenue.

- Tax collections, including delinquent property tax collections, are on target to meet goals for the fiscal year.

Courts (pg. 55)

- The Administrative Office of the Courts continues to struggle to contain costs associated with interpreter costs in the jury and witness fund. AOC is trying to come into compliance with federal Title VI, which requires courts to make interpreters available to parties involved in criminal and civil litigation. This requirement led to a sharp increase in payments to interpreters: in FY02, interpreter costs made up 17.6 percent of jury and witness expenditures, but as of FY13, interpreter costs account for 36 percent of fund expenditures.

- The Judicial Automation Program is continuing implementation of an electronic case management system. Preliminary results of a workload study commissioned by AOC indicate implementation of the new case management system has resulted in efficiency gains in district and magistrate courts.

Investments (pg. 56-63)

- The LFC investment report for the quarter ending December 31, 2013 show all three agencies' one-year investment returns exceeded their respective long-term, target returns. However, long term returns continue to fall below the targets.

- PERA's quarterly returns were in the second quartile of peer funds. Returns were aided by positive allocation and manager effects. The fund's one-year performance was in the 38th percentile. During the one and three-year periods, PERA's investment managers substantial value through active management.

- ERB performance was driven by an investment policy that calls for a lesser exposure to equities in favor of fixed income assets. This less risky policy contributed to returns in the bottom third of peer funds in the quarter. Stocks performed well in the one-year period, and ERB's lower exposure to equities resulted in the fund ranking in the 78th percentile of peer funds, a gain of 10 spots from the previous quarter. Value was added by deviations from this policy.

- Quarterly investment returns of the LGPF and the STPF ranked in the 48th and 43th percentiles, respectively. These rankings are significantly higher than in the previous quarter by 17 and 32 positions, respectively. However, a negative manager effect detracted slightly from returns in the quarter and one-year periods, and more significantly in the three-year period. Finally, while an underweight to non-US equity and real return helped improve STPF performance, an underweight to U.S. equity and fixed income hurt returns. The SIC also notes legacy issues from investments predating the current council are affecting returns, adding that some of these are in private equities with longer-term investment horizons.

Las Cruces Public Schools (LCPS) uses the Discovery assessment to evaluate student progress during the school year.

LCPS aggregates short cycle assessment data at the school, district, and program level, providing valuable information about student achievement and program effectiveness throughout the year.

Two charts showing short-cycle assessment data provided by LCP are attached.

The charts – for math and reading – show district-wide student scores for grades four through 10 for Test A and Test C (the first and last Discovery assessments given during the school year).

The blue line on the Test C column is the district wide proficiency score on the New Mexico Standards-Based assessment for the given grade.

- If Discovery is a good indicator of how a student will score on the NMSBA, the blue line should be located at the number of student's proficient on the Discovery (where the red bar meets the green bar).
- If the blue line is above or below this point it may mean the Discovery is under identifying or over identifying the number of proficient students.

The districts goal for proficiency on the Discovery was 80 percent in 2012-2013, shown by the green dotted line.

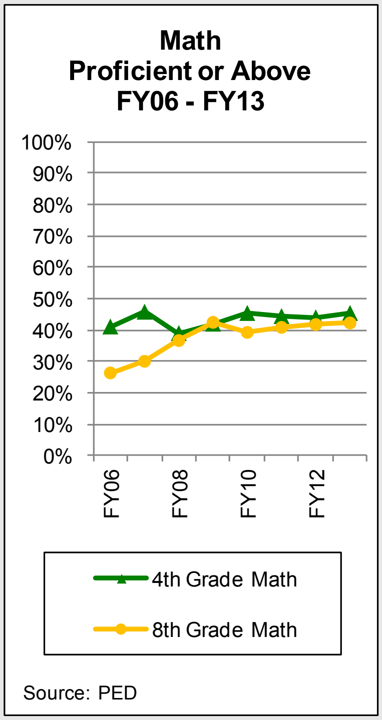
The strategic elements considered to evaluate the effectiveness of public schools are student achievement, teacher quality, and student persistence. Performance measures for public school support provide a snapshot of student performance generally when data is available after the end of the school year. Little or no consistent data is available through the year on student achievement and performance. Standards-based assessment results and school grades are generally reported in the fourth quarter while graduation and remediation rates are reported with a year lag, making it difficult for policymakers to assess student and school progress throughout the year.

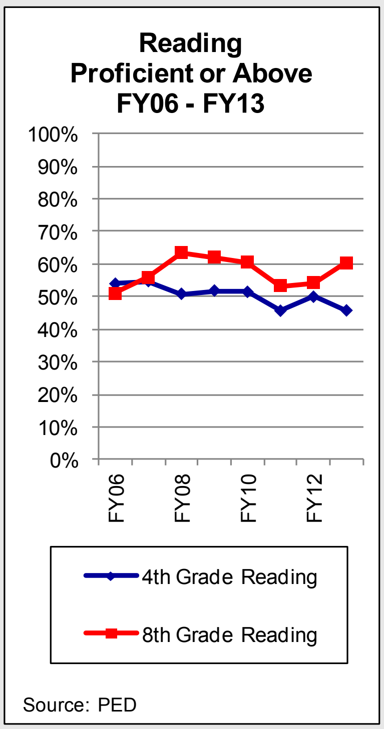
Short Cycle Assessments. Short-cycle assessments are designed to assist in making instructional decisions and can be used to assess student progress within a school year. In an attempt to make more timely data available to policymakers and educators, the Legislature began appropriating funds to the Public Education Department for short-cycle assessments in FY13. PED receives an appropriation for short-cycle assessments for fourth- through tenth-grade students; uses a portion of the early reading funding for a common short-cycle reading assessment for kindergarten through third grade students; and requires assessments for student participating in both prekindergarten and Kindergarten Three Plus. Additionally, many school districts and charter schools use operating dollars to fund other short cycle assessments. Despite continued appropriations, information is still not being reported at the state level for policymakers to consider.

Short-cycle assessment results, particularly those funded with state dollars, should be reported to PED at least three times a year, allowing policymakers to evaluate student and school progress throughout the year. Additional benefits to intermediate reporting of student academic performance include providing teachers the data necessary to alter instructional practices throughout the year to address student needs and assisting the department in determining how to better support schools.

Federal Special Education Maintenance of Effort. Based on special education enrollment in public schools and increased funds made available for special education by state agencies providing services to special education students, PED staff estimates appropriations made to the SEG for FY15 will be sufficient to meet MOE in FY15. The state is still waiting for a hearing on its fiscal year 2011 federal special education maintenance-of-effort (MOE) waiver request. New Mexico may have failed to meet the required level of state support by between $25 million and $35 million in FY11, and a similar amount in FY12. Appropriations made in fiscal years 2013, 2014, and 2015 appear sufficient to meet MOE requirements.

For every dollar that is allocated to program cost, the state gets credit for approximately $0.16 toward MOE. Recognizing this, the Legislature appropriated $10 million to the newly created supplemental special education maintenance of effort distribution during the 2013 legislative session for FY14. To date the $10 million appropriation has not been allocated to school districts or charter schools, partially because of prescriptive language included in the appropriation. The Legislature removed this prescriptive language in the General Appropriation Act of





2014, directing PED to instead distribute all the funds to school districts and charter schools statewide. After allocation of the $10 million, PED will likely need to make a modest transfer of the SEG to the supplemental distribution to meet MOE in FY14 pursuant to the GAA of 2014.

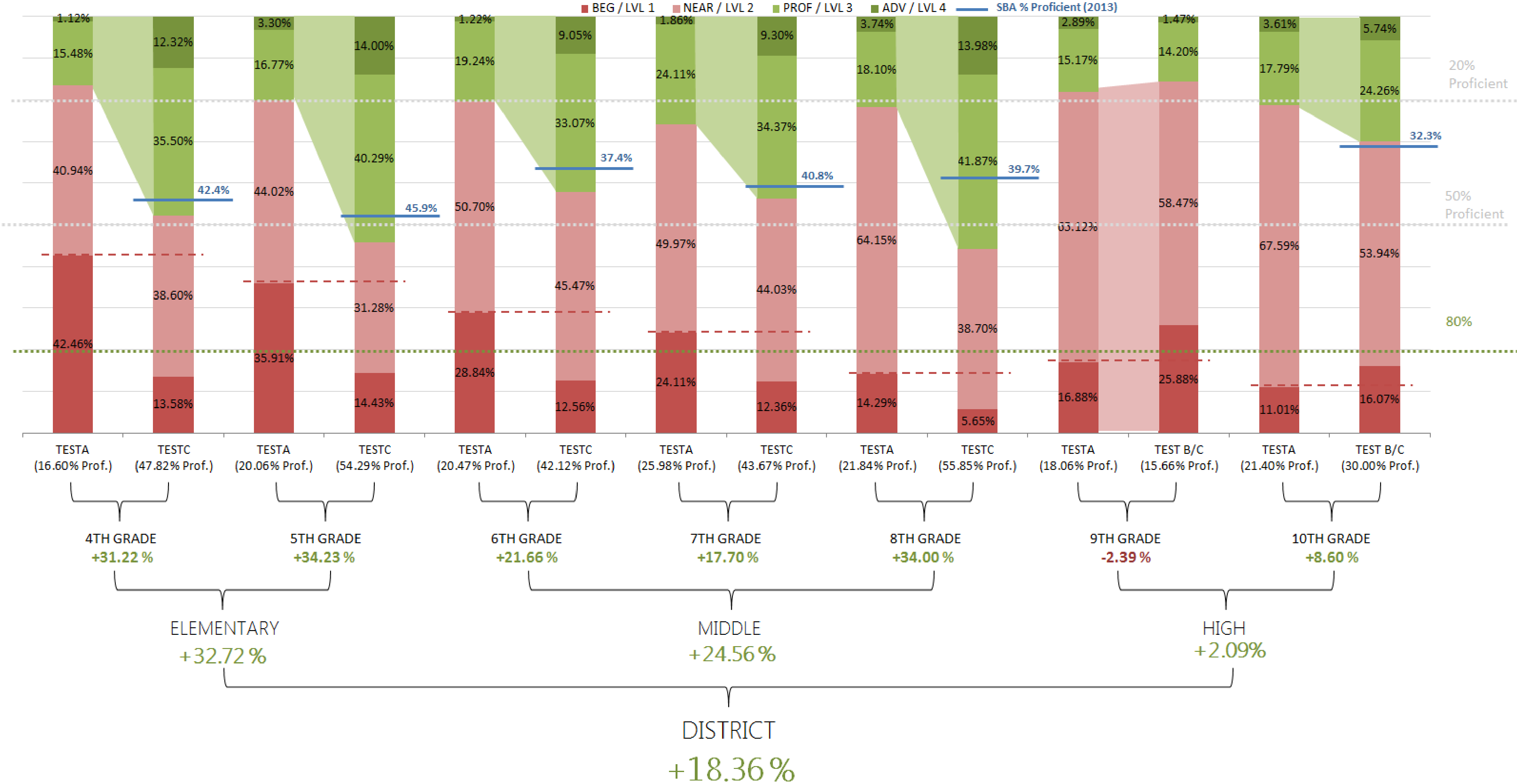
Department Operations. PED continues to struggle to provide adequate technical assistance and oversight to school districts and charter schools statewide, in part because of high vacancy and turnover rates. The most current organizational listing report (TOOL) indicates PED is operating with 204 FTE, despite the agency having funding for approximately 50 additional FTE. Appropriations for employee salaries and benefits have increased in FY13 and FY14; however, the department has been unable to increase the number of FTE significantly during that period of time. Generally, this results in large reversions annually. In November 2013, PED indicated approximately 35 vacant positions were in various stages of recruitment; five months later, the number of filled FTE has only increased by four. School districts and charter schools continue to voice concerns about the department's responsiveness and the quality of technical assistance. The department's FY12 audit noted issues regarding oversight of and communications with charter schools. One hundred eighty five of the 207 findings noted in the audit were generated by charter schools. The department's Options for Parents division has seen high turnover since its creation. Currently, the division lacks permanent senior staff and is being run by a contractor (the Instructional Materials Bureau is also staffed by a contractor). The department should work with the State Personnel Office to improve employee recruitment and retention.

Annual Audits. PED's FY13 audit was submitted on time; however it is still in review. The department's audit includes all state-chartered charter schools – 51 for FY13 – as component units. This will grow to 54 in FY14. For FY15, the Public Education Commission considered applications for five new state-chartered charter schools and approved only two; however, the Secretary-Designate overturned one. During FY15, PED will be responsible for overseeing 57 state-chartered charter schools.

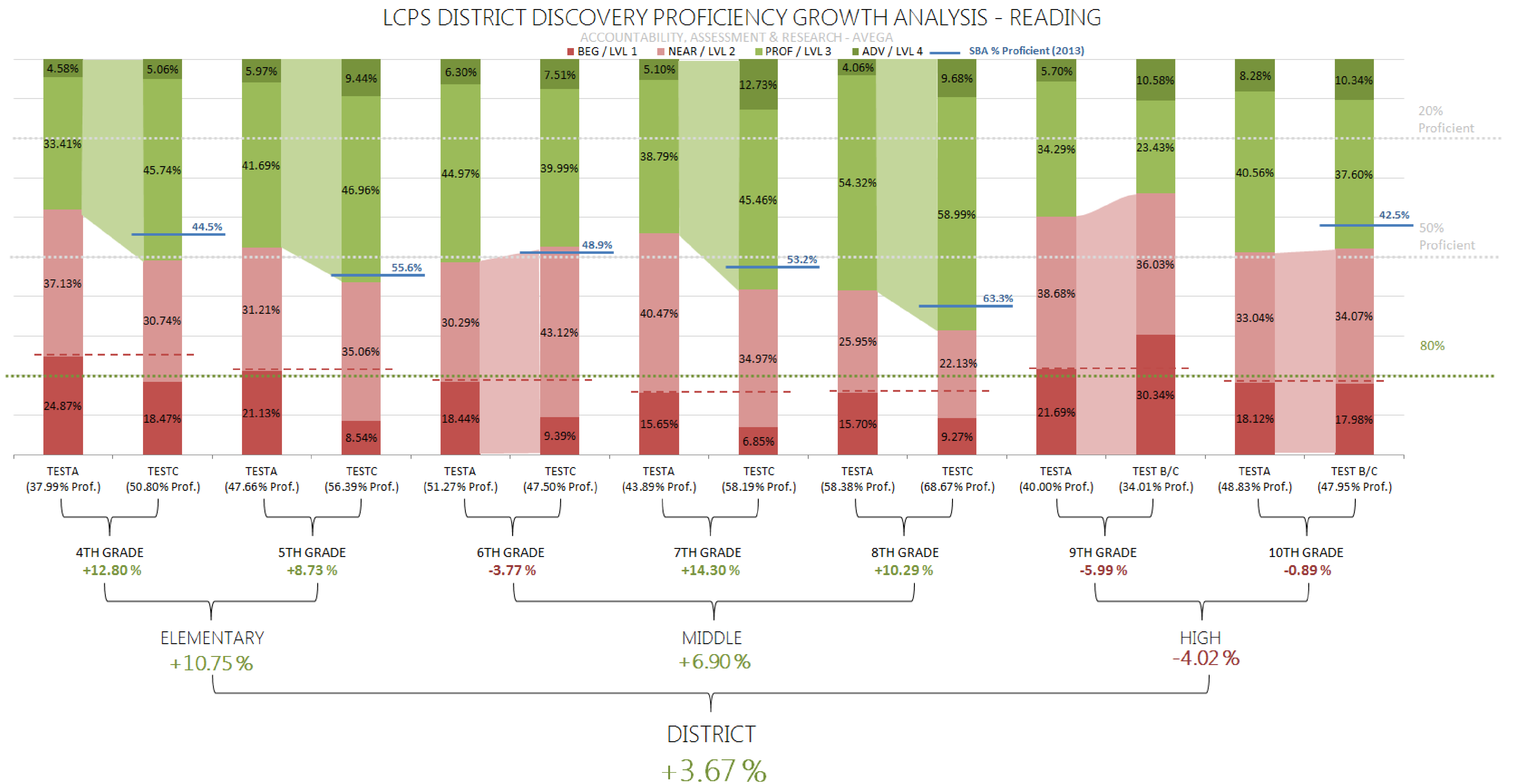
Of the 89 school districts, the following eight districts did not meet the November deadline for filing their FY13 audit: Des Moines, Gadsden, Jal, Lake Arthur, Las Vegas City, Mountainair, Socorro, and Truth or Consequences. As of February 26, 2014, Des Moines, Lake Arthur, Las Vegas City Schools and Truth or Consequences still have not submitted their FY13 audits. Des Moines submitted their FY10 audit in December 2013. While the district received an unqualified opinion, 58 findings were noted, eight of which were recurring from prior years and 50 new findings, though no findings were qualified as a material weakness. Lake Arthur received a qualified opinion noting multiple material weaknesses for FY12. Las Vegas City Schools' FY12 audit is currently in review. The district's FY11 audit received multiple opinions noting multiple material weaknesses. Truth or Consequences received an unqualified opinion on the districts FY12 audit noting material weaknesses. Given the large investment of tax dollars in public school districts and charter schools statewide, it is important that annual audits are submitted on time. Also important to note is the ability of the Public Education Department to withhold a portion of a school district's SEG distribution for failure to submit an annual audit within 90 days of the deadline. To date PED has not exercised this authority.

LCPS DISTRICT DISCOVERY PROFICIENCY GROWTH ANALYSIS - MATH

ACCOUNTABILITY, ASSESSMENT & RESEARCH - AVEGA



AVEGA - Tuesday, May 28, 2013



AVEGA - Tuesday, May 28, 2013

Even with reduced staffing, HED incorporated the most recent academic year data in it's I&G funding formula request. In prior years, the data has lagged one academic year.

In FY12, the department reported that 10 percent of all capital projects and related transactions were evaluated and audited by staff. For FY15, the GAA of 2014 includes a target of 25 percent.

Largest Adult Basic Education Programs, FY13 Enrollment

CNM	3,284
NMSU-Dona Ana	3,155
Santa Fe CC	1,909
NM Corrections	1,826
ENMU-Roswell	1,558
Catholic Charities	966
All others	6,666
Total	19,364

Source: HED 2013 Annual Repo

Integrated Basic Education and Skills Training (I-BEST) FY13 Program Results by Student Status

	Prog. Comp.	In Prog.	Stopped-Out
CNM	29	143	30
NMSU-Dona Ana	8	0	1
ENMU-Roswell	49	0	14
Mesalands CC	63	6	2
Santa Fe CC	39	3	18
UNM-Valencia	14	27	14

Source: HED 2013 Annual Repo

The Higher Education Department (HED) submits quarterly reports on measures that generally report annual institutional or student performance data, very few measures track internal departmental activities. However, the department files an annual financial audit and publishes an annual report documenting its activities. These documents provide a more thorough picture of the department's functions and how effective and efficient the department meets its statutory requirements and priorities.

HED FINANCIAL MANAGEMENT

The department submitted its FY13 audit by the statutory deadline. The auditor cited two grounds for issuing a qualified opinion on the department's financial statements: (1) the department's inability to reconcile and track loan-for-service programs (a finding dating back to 2006) and (2) the department's inability to reconcile stated fund balances with bank book balances. The auditor also issued a qualified opinion on the department's administration of federal funds, for failing to monitor subrecipients of federal adult basic education, college access challenge, and gaining early awareness and readiness for undergraduate programs (GEAR-UP) grants. Some of these federal funds findings date back to FY10.

Auditors reported that the department had resolved half of their prior audit findings, repeated half of prior audit findings, and cited only one finding for FY13. Of the repeated or modified findings, material weaknesses include the lack of general ledger reconciliation procedures, incomplete capital projects accounting and reporting, and lack of cash reconciliation procedures and controls related to cash receipts. In response to the audit findings, the department cited insufficient staffing or high turnover in key positions as the reason for a failure to comply with processes or address findings. The department noted that it will identify processes to address prior year findings, in particular the longstanding 2006 financial aid findings. HED has been asked for a status of their implementation plan, similar to one developed to address FY12 findings and what was successful in documenting the department's progress.

INSTITUTIONAL FINANCE DIVISION

Responsible for distributing state appropriations and non-financial aid federal funds to institutions, the department's institutional finance division continues to face many challenges in fulfilling its mission. The division has been without a permanent director since October 2013 and has experienced turnover in this position during the last three years. The department continues to rely on contract staff to manage the instruction and general (I&G) funding formula. Legislators expressed concerns during the budget hearings and 2014 session with the lack of consistency in these leadership positions.

Capital Projects. The division is also responsible for managing institutional capital projects at the state's colleges, universities, and special schools. The FY13 audit reported a material weakness finding due to several issues regarding accounting and reporting. Despite department turnover in key positions during the last eighteen months, the division currently has three full-time capital projects staff who will implement accounting procedures necessary to track projects and funding more accurately. An additional

During FY13 and the first half of FY14, the private and proprietary schools division dramatically improved performance, reducing the time it took to produce student transcripts to within 2 days of receiving a request and the time needed to review applications for new academic programs and institutions to within a month of receiving a complete application.

In calendar year 2013, the private and proprietary schools division responded to 38 student complaints against private schools, including 30 against a particular career technical school.

For FY15, the LFC recommended AGA measures for the Private and Proprietary Schools Division:

- Time for the division to address and close a student complaint (target: 30 days)
- Time for the division to complete a student transcript request (target: 3 days)

internal auditor position was funded in FY14 for this and other purposes.

FINANCIAL AID DIVISION

The department's financial aid division administers state-funded student financial aid programs and collects institutional financial aid data. In FY13, 412 thousand students received over $765.6 million in federal, state, and institutional aid. As mentioned above, since 2006, the financial aid division has been unable to verify and track many individuals who have participated in the state's loan-for-service programs. To date, 14 percent of 1,362 borrowers are in default and 75 percent have completed their service. The department, working with staff of New Mexico Education Loan Association (NMEAF), has audited loan files from prior years, placing students in repayment where appropriate, and recording uncollectable debts and completed service. The department staff continues to make progress on reconciling student borrower records, with a goal of reconciling all files sufficiently for auditors to complete their review for FY14 and address the outstanding findings.

ADULT BASIC EDUCATION DIVISION

The adult basic education (ABE) program administered by HED received $5.2 million in state general fund support, $4.2 million in federal funds, and $1.5 million in in-kind services in FY14. The U.S. Department of Education recently completed a program review, recognizing staff for their efforts. For FY15, general fund support will increase to $5.4 million, allowing the department to distribute up to 20 percent of total funding.

According to HED, nearly 450 thousand adults, or 21 percent, of the state need adult basic education programming. The state currently services about 5 percent, or 20,000 individuals, of the eligible population (ages 16 and older) needing services. In FY13, department staff visited all 26 local programs and provided professional development opportunities and workshops. The program staff coordinates some efforts with the state's pilot Integrated Basic Education and Skills Training (I-BEST) program. With state general fund appropriations in FY15 to replace some federal funding, the I-BEST program may expand to one or two additional colleges.

PRIVATE AND PROPRIETARY SCHOOLS DIVISION

Under the Out-of-State Proprietary School and Post-Secondary Education Institution Acts, the department is charged with improving the quality of private postsecondary institutions; protecting students and citizens from misrepresentation, fraud, and collusion by institutions; and protecting consumers when such institutions close or are no longer authorized by the department. The division regulates almost 500 certificate and degree programs and more than 300 private and proprietary schools operating in New Mexico. The division has been working with the Western Interstate Commission for Higher Education (WICHE) and others to prepare the state to enter the State Authorization Reciprocity Agreement, an interstate effort to regulate postsecondary distance education in a manner that is cost-effective for both the state and institutions. HED will work on this matter during the 2015 legislative session.

Performance Report Card
Human Services Department
Second Quarter, Fiscal Year 2014

Performance Overview: The Human Services Department (HSD) moved to more quality-oriented measures targeting outcomes instead of output measures such as Medicaid enrollment in the past few years. HSD has implemented reporting on a more robust set of Medicaid measures including prenatal care and emergency room visits. However, first and second quarter results tend to lag in Medical Assistance and Income Support due to reporting delays.

In general, the department has good performance outcomes in the medical assistance and child support enforcement area. However, efficiency and outcome measures are still needed for key high-cost areas in the Medicaid program, such as long-term care for the elderly and disabled. Room for improvement remains in other program areas, in particular behavioral health. Performance in clients participating in work-related activities by Temporary Assistance for Needy Families (TANF) recipients has improved in the past year, but the LFC continues to push for enhanced reporting of employment data.

	Medical Assistance Program Budget: $4,064,717 FTE: 189.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent of infants in Medicaid managed care who had six or more well-child visits with a primary care physician during the first fifteen months* (cumulative)	66%	66%	72%	56%	56%		Y
2	Percent of children and youth in Medicaid managed care who had one or more well-child visits with a primary care physician during the measurement year* (cumulative)	86%	91%	92%	68%	77%		Y
3	Percent of children two to twenty-one years of age enrolled in Medicaid managed care who had at least one dental visit during the measurement year* (cumulative)	73%	70%	72%	27%	38%		Y
4	Percent of children in managed care with persistent asthma who were appropriately prescribed medication*	new	89%	95%	62%	63%		Y
5	Percent hospital readmissions for children ages two to seventeen within thirty days of discharge	new	6%	8%	7%	6%		G
6	Percent hospital readmissions for adults eighteen and over, within thirty days of discharge*	new	7%	10%	13%	11%		Y
7	Number of emergency room visits per one thousand Medicaid member months*	new	39	45	40	33		G
8	The percentage of individuals in Medicaid managed care ages eighteen through seventy-five years of age with diabetes (type 1 or type 2) who had a HbA1c test during the measurement year	new	84%	86%	28%	55%		Y
9	Percent of newborns with Medicaid coverage whose mothers received a prenatal care visit in the first trimester or within 42 days of enrollment in the managed care organization	new	86%	85%	26%	25%		Y
	Program Rating	Y	Y					Y

Comments: The lag time for processing Medicaid claims makes it difficult to draw conclusions based on initial data. For FY13, HSD essentially met targets for the first 3 measures above for youth primary care and dental visits, so improvement is expected each quarter during FY14. Outcomes for the new health outcome measures are mixed, although emergency room visits are well below the target. Outcomes on certain key measures can be compared to other states that report federal fiscal year 2012 outcomes on key federal core performance measures. For example, New Mexico's performance for well child visits of 91 percent in FY13 slightly exceeded the 90 percent average for other states; for infant well child visits New Mexico's 66 percent in FY13 exceeded the national average of 60 percent. For dental visits, New Mexico's 70 percent was much higher than the 43 percent for other states. For pre-natal care, New Mexico reported that 86% of mothers received a prenatal visit within 42 days of enrollment, higher than the 78 percent reported by other states.

	Medicaid Behavioral Health Program Budget: $306,072 FTE: 0	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
10	Percent of readmission to the same level of care or higher for children or youth discharged from residential treatment centers and inpatient care*	7%	7%	10%	8%	6%		G

Performance Report Card
Human Services Department
Second Quarter, Fiscal Year 2014

11	Individuals served annually in substance abuse and/or mental health programs administered through the collaborative statewide entity contract* (cumulative)	84,559	84,559	85,000	33,349	52,457		G
Program Rating		G	G					Y

Comments: The majority of behavioral health measures are reported separately in the Behavioral Health Collaborative Report Card. Performance in the two measures reported under Medicaid Behavioral Health has been steady, but there have been major disruptions in the provider network following HSD action to replace 12 major providers. These providers had reimbursements suspended due to credible allegations of fraud forwarded by HSD to the Attorney General (AG) for investigation and eventually closed. However, as of February 2014, the AG has only released the results of one investigation, and in that case the AG did not find credible evidence of Medicaid fraud, although there were billing errors. The new providers have been rebuilding capacity and optimizing services, but the behavioral health network remains in transition.

Income Support	Budget: $916,759.6 FTE: 1,135	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
12	Percent of TANF clients who obtain a job during the fiscal year *	51%	49%	50%	Annual			
13	Percent of TANF two-parent recipients meeting federally required work requirements*	49%	57%	60%	57%	60%		G
14	Percent of TANF recipients (all families) meeting federally required work requirements*	42%	53%	50%	52%	52%		G
15	Percent of children eligible for Supplemental Nutritional Assistance Program participating in the program at 130% of poverty level*	82%	80%	88%	81%	85%		Y
Program Rating		Y	Y					Y

Comments: HSD has emphasized improving performance in meeting federally required work requirements and has seen impressive results. An improved economy and departures of non-compliant clients contributed to an overall caseload of 13,230 in January, a decrease of 15 percent from January 2013. LFC staff will work with HSD to obtain more timely data on TANF clients and employment.

Child Support Enforcement	Budget: $33,538.2 FTE: 383	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
16	Total child support enforcement collections, in millions*	$130.0	$132.0	$135.0	$31.7	$62.2		G
17	Percent of child support owed that is collected*	57%	56%	60%	56%	56%		Y
18	Percent of cases with support orders*	78%	84%	80%	84%	80%		G
Program Rating		G	G					G

Comments: The Child Support Enforcement Division is a consistently strong performer. However, while division staff is aggressively attempting to collect outstanding child support, it struggled to collect the percent of child support owed.

Program Support	Budget: $52,174.7 FTE: 258	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
19	Percent of federal grant reimbursements completed that minimize the use of state cash reserves in accordance with established cash management plans*	81%	84%	100%	95%	95%		Y
Program Rating		Y	Y					Y

Comments: Performance is generally good for Program Support; much effort has been put into improving reconciliation of Medicaid billing processes and cash balances.

* Denotes House Bill 2 measure

Performance Report Card
Behavioral Health Collaborative
Second Quarter, Fiscal Year 2014

Performance Overview: The 17-member Behavioral Health Purchasing Collaborative is charged with coordinating a statewide behavioral health system. However, coordination of a comprehensive system is hampered because funding resides in several different agencies. Despite decent performance results on collaborative measures, New Mexico ranks near the bottom for per-capita overdose rates, and the Collaborative maintains minimal data on outcome-based measures such as the rate of substance abuse patient relapse. Improving the availability of high quality behavioral health services is essential given the increased demand for services expected in 2014 due to Medicaid expansion for low-income adults.

The behavioral health network is facing a number of challenges in 2014 which may impact performance including the transition from a single behavioral health managed care organization to four managed care contractors providing physical, as well as behavioral health services. Also, the closure and eventual replacement of 12 New Mexico behavioral health providers with Arizona-based firms during 2013 led to numerous reports of service disruptions. The New Mexico providers had reimbursements suspended due to allegations of fraud forwarded by HSD to the Attorney General (AG) for investigation; unable to maintain operations without Medicaid reimbursements the providers eventually closed. However, as of February 2014, the AG has only released the results of one investigation, and in that case the AG did not find credible evidence of Medicaid fraud, although there were billing errors. The new providers have been rebuilding capacity and optimizing services, but the behavioral health network remains in transition.

Program	Budget: N/A	FTE: N/A	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent of people receiving substance abuse treatment who demonstrate improvement in the drug domains on the addiction severity index (ASI)*		72%	71%	80%	Bi-annual	72.2%	Bi-annual	Y
2	Percent of people receiving substance abuse treatment who demonstrate improvement in the alcohol domain on the addiction severity index (ASI)*		87%	79%	90%	Bi-annual	73.4%	Bi-annual	Y
3	Percent of youth on probation served by the statewide entity		40%	57%	48%	Annual			
4	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days		36%	40%	38%	27.6%	27.2%		R
5	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days*		55%	59%	60%	45.5%	44.2%		Y
6	Number of youth suicides among fifteen to nineteen year olds served by the statewide entity		0	4	3	0	0		G
7	Percent increase in the number of pregnant females with substance abuse disorders receiving treatment by the statewide entity		n/a	3.5%	5%	Annual			
Program Rating			Y	R					R

Comments: Although the number of clients served appears to be stable, the majority of other performance measures are not being met. The decline through the second quarter in performance compared to FY13 is of concern, particularly in percent of clients showing improving in alcohol substance abuse treatment and the percent of clients discharged from inpatient facilities receiving follow-up services within seven day. HSD notes the measurement methodology for the alcohol treatment measure changed, and the agency expects improved results when the data is updated. An overall program rating of red is warranted based on mediocre performance and the instability in the program.

* Denotes House Bill 2 measure

Performance Report Card
Department of Health
Second Quarter, Fiscal Year 2014

Performance Overview: The Department of Health (DOH) continues to report on too few performance measures to properly determine how effectively it is meeting its strategic and mission objectives in a cost-efficient way. The agency should include more meaningful measures benchmarked to other states, including measures focused on health outcomes and efficiency measures denoting average cost per client for the Public Health, Developmental Disabilities Support, and Facilities Management Programs. The budgets for the Epidemiology and Response, Laboratory Services, Health Certification, Licensing and Oversight, and Administration Programs total $67 million, but these four programs only report on four performance measures. For FY15, LFC staff recommended and the agency agreed to reinstate the department's prior measures the governor vetoed in FY13: substantiating cases of abuse, neglect, and exploitation in state facilities; and conducting compliance surveys of the state's private adult residential care and daycare facilities; however, this did not occur. The department instead submitted 30 measures, only 5 of which were baseline measures tracked from the previous fiscal year with only 4 of these measures part of the 10 measures tracked in the General Appropriation Act.

The LFC program evaluation, *New Mexico's Children: Risk Factors Impacting Health and Social Development*, serves as a model for important health performance measurement including population-based indicators given the Department of Health's mission is to positively affect population health. The Department of Health maintains that population accountability and performance accountability are two separate performance measurement types and has omitted population health outcome measures. The LFC remains committed to tracking and reporting population health performance measures similar to overall state performance data collected and reported on by other state agencies (see box at bottom of chart).

	Public Health Program Budget: $186,881.3 FTE: 920	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent of preschoolers (nineteen to thirty-five months) fully immunized*	69.8%	76.1%	90.0%	Annual			
2	Number of births prevented among teens ages fifteen to seventeen receiving family planning services in agency-funded clinics*	new	552	850	448	401		G
3	Percent of Quit NOW enrollees who successfully quit using tobacco at seven month follow-up	33%	33%	40%	31%	34%		Y
	Program Rating	R	R					Y

Comments: Given that Public Health is a $186.9 million program, having only three performance measures is inadequate. The program should consider adding outcome measures for teen pregnancies, low birth weight babies, childhood obesity, adult immunizations, suicide, and substance abuse to align with its strategic plan (see page 3). In FY12, the Public Health Program saw improvement in its infectious disease program dealing with HIV/AIDS and sexually transmitted diseases but saw reductions in the numbers of people served by the Women, Infants and Children (WIC) Program. Inclusion of performance measures for these programs is also recommended.

	Epidemiology and Response Program Budget: $24,206.6 FTE: 166	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
4	Number of naloxone prescriptions provided in conjunction with prescription opioids	new	baseline	1,000	28	24		R
5	Percent of emergency department and intensive care unit licensed staff at developing and existing trauma centers who have received training in traumatic injury care	new	60%	75%	68%	68%		Y
	Program Rating	G	N/A					R

Comments: The department did not report performance measures in FY13 for the Epidemiology and Response Program. Previously, the program reported on two performance measures (number of health emergency exercises and number of designated trauma centers), and for FY14 has added two new measures. Measure 4 is associated with a reduction in overdose deaths. Inclusion of a program measure to gauge the readiness and capacity of the public health care system in New Mexico would be desirable.

	Laboratory Services Program Budget: $12,582.3 FTE: 133	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
6	Percent of blood alcohol tests from driving-while-intoxicated cases that are analyzed and reported within ten business days*	44.6%	88.9%	95.0%	90.6%	90.6%		Y
	Program Rating	Y	G					Y

Comments: The Laboratory Services Program reports its staff requires time for training or testifying at court proceedings around the state, impacting laboratory testing time and, at times, impacting performance. Therefore, in FY13 through FY15 the Legislature provided full funding for the program's personal services and employee benefits to assist with improved performance.

	Facilities Management Program Budget: $139,082.5 FTE: 2,119	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
7	Percent of billed third-party revenues collected at all facilities*	59.8%	56.6%	90.0%	79.7%	n/a		N/A
8	Total dollar amount, in millions, of uncompensated care at all agency facilities*	$35	$43	$37	$10	n/a		N/A
9	Percent of operational capacity (staffed) beds filled at all facilities*	87%	86%	100%	83%	66%		R
	Program Rating	R	R					Y

Comments: The state health facilities continue to provide no data on patient health outcomes and too little data on hospitals' quality, efficiency, and financial performance. The department reports its occupancy rate for staffed beds was 66 percent in the second quarter of FY14. However, the average occupancy rate for all licensed beds was less than 62 percent at the end of the first quarter, with second quarter data not yet reported. Measuring the facilities' occupancy rate per licensed bed is a better indication of the state's overall return on investment, particularly as the Legislature continues to appropriate sufficient funding to fill positions within the facilities and increase the occupancy rates. Also, facilities' collection of third-party revenues reflects a downward trend from FY11 to FY13. For FY14, the department changed its reporting methodology for collection of third-party revenues, but did not change its procedures to collect billed third-party revenues, so no comparative baseline data is currently available for this measure. DOH did not report second quarter data for either of these measures citing the unavailability of data.

	Developmental Disabilities Support Program Budget: $149,748.1 FTE: 169	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
10	Percent of adults receiving developmental disabilities day services who are engaged in community-integrated employment*	36%	30%	38%	30%	27%		R
11	Percent of developmental disabilities waiver applicants who have a service plan in place within ninety days of income and clinical eligibility determination*	98.3%	84.0%	100.0%	88.0%	78.0%		R
12	Number of individuals on the developmental disabilities waiver waiting list*	5,911	6,248	6,330	6,292	6,236		G
13	Number of individuals on the developmental disabilities waiver receiving services*	3,888	3,829	4,000	3,752	4,193		G
	Program Rating	Y	R					Y

Comments: The number of developmental disabilities waiver clients is showing improvement as the Legislature has increased funding for DD waiver services by 9.4 percent from FY12 to FY14. For FY14, the department reported there were "no targets, only informational" data for measures 12 and 13; however, the Legislature included targets for these measures within the General Appropriation Act as indicated above. Of concern is the FY12 to FY14 downward trend of performance results for community-integrated employment and timely completion of service plans.

Performance Report Card
Department of Health
Second Quarter, Fiscal Year 2014

Health Certification, Licensing and Oversight Program	Budget: $13,675.0	FTE: 144	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
14	Percent of developmental disabilities, medically fragile, behavioral health, and family, infant, toddler providers receiving a survey by the quality management bureau*		71%	100%	100%	78%	81%		R
Program Rating			Y	Y					R

Comments: The program reports the results for the percent of quality management bureau surveys and compliance surveys are negatively impacted by staff vacancies. However, in FY13 through FY15 the Legislature provided full funding for the program's personal services and employee benefits to assist with improved performance. The agency's action plan indicates priority is given to statutorily-required investigations and serious complaints.

Medical Cannabis Program	Budget: $780.0	FTE: 7	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
Program Rating			n/a	n/a					n/a

Comments: The department created the Medical Cannabis Program in its FY13 operating budget but did not identify performance measures for FY13 or FY14. A performance measure regarding timeliness of processing patient applications will be added for FY15. Currently, the program has 23 licensed nonprofit producers who grow and distribute medical cannabis, 3,316 personal production licenses, and 9,333 active patients.

Administration Program	Budget: $18,224.9	FTE: 133	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
Program Rating			Y	Y					n/a

Comments: The department's DFA performance-based budgeting data system contained no key performance measures in FY14 for the Administration Program, so the department will not include any performance data for this program in its quarterly reports. In FY15, DOH will report on electronic files storage. Previously, the department reported on two performance measures for this program regarding timeliness of vouchers and draw down of federal funds.

Improving Outcome Measures: In spring 2013, the LFC staff provided a comprehensive list of performance measures and epidemiological data to DOH. The department should consider adding this data as it compiles its new and improved performance measures for FY15 and FY16.

New Mexico Population Health Performance Outcome Data:

- New Mexico has the highest teen pregnancy rate in the country. Two-thirds (68 percent) of teen-aged mothers and over half (55 percent) of mothers 20-24 years old had unintended pregnancies, as did 51 percent of rural mothers.
- New Mexico has a low birth weight rate of 8.9 percent compared to the national rate of 8.3 percent.
- New Mexico has a child obesity rate of 11.7 percent compared to 14.9 percent nationally.
- For influenza, New Mexico adults have an immunization rate of 70 percent compared to the national rate of 69 percent.
- New Mexico ranks fifth in the country with a suicide rate of 19.2 percent compared to the national rate of 10.5 percent.
- New Mexico's alcohol-attributable death rate is the worst in the country and its drug overdose death rate is the second highest in the nation.

*Denotes House Bill 2 measure

Performance Report Card
Aging and Long-Term Services Department
Second Quarter, Fiscal Year 2014

Performance Overview: The Aging and Long-Term Services Department (ALTSD) continues to improve the quality of outcome measures to better quantify program results. The agency's measures previously focused on numbers served rather than results and outcomes. An improvement in the report is the inclusion of a section on historical and national benchmark data. Some targets need to be adjusted upwards based on historical experience.

Consumer and Elder Rights Program	Budget: $3,518.5 FTE: 47.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent of ombudsman complaints resolved within 60 days	98.6%	98.2%	90.0%	99.0%	99.7%		G
2	Percent of people accessing aging and disability resource center in need of two or more daily living services who are satisfied with the information, referral and assistance received	40%	44%	40%	41%	44%		G
3	Percent of calls to the aging and disability resource center that are answered by a live operator	79.3%	77.6%	90.0%	83.0%	85.0%		Y
Program Rating		Y	G					G

Comments: Measure 1 changed reporting from numbers to percent. The aging and disability resource center maintains its vacancy rate affects performance in answering calls with a live operator. Based on historical call volume data, the department estimates 2 additional FTE are needed to achieve each 5 percent increase over current call volume answered by a live operator. The program's request for funding personnel was almost entirely funded by the Legislature.

Aging Network Program	Budget: $37,559.1 FTE: 1.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
4	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network*	63%	60%	60%	35%	41%		Y
5	Number of hours of respite care provided	358,981	379,838	370,000	95,455	88,792		Y
Program Rating		G	G					Y

Comments: For measure 4, in FY13 the department began using a benchmark from the 2010 study of senior hunger by the Meals on Wheels Research Foundation, Inc. based on the U.S. Department of Agriculture's definition of food insecurity. This study reported 21.2 percent (83,187) of New Mexican seniors, ages 60 and over, were estimated to have food insecurity, which ranks second in the nation. The department reports with the rising cost of food and fuel, annual budget increases have maintained current service levels but have not increased services or food security for seniors. However, the Legislature increased funding for Aging Network services by $1.6 million in FY13, $1.3 million in FY14, and $1.6 million for FY15, but the numbers of consumers and meals being served are decreasing each fiscal year. The Legislature has annually expressed its intent that funding increases for the Aging Network be used for meals, but in FY14 the governor vetoed the language directing the increase be used to expand the home-delivered meals program. For the first quarter, the agency reported the decrease in the number of consumers and meals served was attributable to a lack of data reported by the Navajo Area Agency on Aging and cuts in federal funding experienced by tribal providers. However, this was not reported as an issue in the second quarter.

Adult Protective Services Program	Budget: $13,168.7 FTE: 132	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
6	Number of adults receiving adult protective services investigations of abuse, neglect, or exploitation*	5,824	6,092	6,000	1,700	1,503		G
7	Percent of emergency or priority one investigations in which a caseworker makes initial face to face contact with the alleged victim within prescribed time frames*	N/A	98.4%	95.0%	98.0%	97.3%		G
Program Rating		Y	G					G

Comments: The number of adult protective services investigations is on track to meet the year-end target. There are no national benchmark measures that are comparable with the new measure 7. The former measure tracked the percent of adult protective services investigations requiring an emergency or priority response within 24 hours or less.

* Denotes House Bill 2 measure

Performance Report Card
Children, Youth and Families Department
Second Quarter, Fiscal Year 2014

Performance Overview: The Children, Youth and Families Department (CYFD) continued to struggle to meet performance measures in the Protective Services program. CYFD is implementing several initiatives to improve services for at-risk children and families such as a new mandatory screening of every child in custody to provide additional services if needed. Additionally, the agency is working to re-evaluate the effectiveness of training for frontline direct service employees. The General Appropriation Act (GAA) supported an expansion of $100 thousand for the department to implement a training academy for this purpose in FY15.

Juvenile Justice Facilities	Budget: $72,357.5	FTE: 942.3	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent of clients who complete formal probation*		90.7%	92.1%	92.0%	93.2%	93.7%		G
2	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury*		1.4%	1.8%	1.5%	2.7%	2.6%		R
3	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities*		12.4%	9.0%	10.0%	15.3%	10.7%		Y
4	Percent of juvenile justice division facility clients age eighteen and older who enter adult correction within two years after discharge from a juvenile justice facility*		new	baseline	8.0%	8.2%	9.6%		R
5	Number of physical assaults in juvenile justice facilities*		new	baseline	<260	48	92		Y
6	Percent of clients re-adjudicated within two years of previous adjudication		6.6%	5.8%	6.0%	5.7%	5.0%		G
Program Rating			Y	G					Y

Comments: The increase in youth recidivism into adult facilities does not reflect the relatively new implementation of the Cambiar model in Juvenile Justice Facilities (JJF). Due to a two year system wide implementation process, the first Cambiar cohort will not be measured and reported in performance until the end of FY14. The division's action plan to reduce JJF clients entering adult facilities includes an emphasis on transitional services such as education, housing, employment and behavioral services. For example, reintegration centers are being re-utilized as a step-down for clients entering supervised release. The increase in incidents requiring use of force resulting in injury is of concern, especially in light of recent litigation regarding allegations of excessive force towards children in custody of JJF.

Protective Services	Budget: $126,417.7	FTE: 851.8	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
7	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan*		92.8%	92.3%	93.0%	91.5%	92.1%		Y
8	Percent of children who are not the subject of substantiated maltreatment within six months if a prior determination of substantiated maltreatment*		92.3%	91.3%	93.0%	89.3%	88.6%		R
9	Percent of children who are not the subject of substantiated maltreatment while in foster care*		99.5%	99.7%	99.7%	99.8%	99.8%		G
10	Percent of children reunified with their natural families in less than 12 months of entry into care		67.3%	62.4%	65.0%	61.5%	60.5%		R
11	Percent of children in foster care for 12 months with no more than two placements		79.3%	76.6%	82.0%	74.4%	73.7%		R
12	Percent of children adopted within 24 months from entry into foster care		35.2%	31.3%	26.8%	34.8%	33.2%		G
13	Percent of adult victims or survivors receiving domestic violence services who are made aware of other available community services		89.0%	87.7%	90.0%	86.2%	88.8%		Y
Program Rating			Y	Y					Y

Comments: Protective Services continued to struggle to meet FY14 targets. The vacancy rate for caseworkers remains high, impacting timely completion of investigations and the ability to provide intensive work with families. The division is implementing strategies to improve services to children and families, such as mandatory screening of every child in custody for Severe Emotional Disturbances (SED). If the child is determined to meet SED an additional diagnostic and psycho-social assessment of the child and family will be performed to provide additional services. In FY15 the division will receive significant additional resources for the care and support of child in custody and foster parents. These additional resources should assist Protective Services to provide improved services to at-risk children and families. However, the continued increase in the first and second quarter of substantiated maltreatment within six months of a prior determination is of concern. Alternative response programs may be an option for corrective action to decrease recurring substantiated abuse or neglect. Alternative Response (also called Family Assessment Response or Differential Response) is a system of responding to referrals to Protective Services as an alternative to a traditional investigation. If there are no imminent concerns about a child's safety, the Alternative Response method conducts a family assessment with the goal of engaging a family to determine strengths and needs and plan for the future, without requiring a determination that maltreatment has occurred or that the child is at risk of maltreatment. This system of response is perceived as less intrusive than a traditional investigation. A 2011 LFC Program Evaluation recommended implementation of a differential response system provides better outcomes for children, more positive experiences for families, and long-term cost savings. However, Protective Services did not concur with the recommendation, citing a lack of availability in comprehensive community-based services. The agency did not see the implementation of differential response as a viable option at the time. Additionally, the decrease of children reunified with their natural families in less than 12 months is of concern, as it is considered optional for children to remain with their natural families. However, this performance must be balanced to ensure children are only reunified to families in which the environment is safe and the child will not be subjected to recurring abuse, neglect, or maltreatment.

Early Childhood Services	Budget: $175,737.8 FTE: 151.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
14	Percent of children receiving subsidy in Stars/Aim High programs level three through five or with national accreditation*	new	39.5%	25.0%	40.2%	40.8%		G
15	Percent of licensed childcare providers participating in Stars/Aim High programs levels three through five or with national accreditation*	new	32.3%	25.0%	31.7%	31.5%		G
16	Percent of mothers participating in home visiting who are identified as having symptoms of postpartum depression who were referred to services then received services*	44.5%	36.7%	25.0%	55.2%	39.3%		G
Program Rating		Y	Y					G

Comments: Early Childhood Services (ECS) continued to exceeded FY14 targets for the second quarter. However, as reported in the first quarter, women receiving home visiting services in some rural communities continue to face challenges regarding available resources to access additional services for postpartum depression. The agency is currently working to align federally-funded home visiting programs and state programs for referrals to additional services for postpartum depression and local municipalities to develop infrastructure and capacity for the neediest communities. Additionally, due to uncertainty regarding the replacement of tobacco settlement funds appropriated to home visiting programs the agency is projecting about $900 thousand of the FY14 appropriation will not be expended. While the percent children receiving care from three to five star providers is above target this performance measure may not be the best indicator of quality early childhood development. The agency is currently implementing the FOCUS rating program which will be the newest standard for provider ratings, and is a higher standard of quality than the star system. The performance measures for ECS should be updated and expanded to better measure performance of the many early childhood development programs, which encompass a division budget of $176 million annually.

Program Support	Budget: $32,161.9 FTE: 201.0	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
17	Turnover rate for youth care specialists*	33.2%	15.2%	25.0%	3.8%	1.0%		G
18	Turnover rate for protective services workers*	20.4%	19.2%	25.0%	6.8%	6.0%		G
Program Rating		Y	Y					G

Comments: Program Support continued to exceeded FY14 targets for the second quarter. However, the agency is still struggling with significant turnover for youth care specialists in JJF. The continued support to recruit, train, and retain positions which provide direct services is essential to improving services for children, one of New Mexico's most vulnerable populations. The agency recently implemented a 3 percent increase of frontline direct service positions, such as youth care specialists, which was recommended by the LFC in an effort to stabilize the workforce.

* Denotes House Bill 2 measure

Performance Report Card
Department of Public Safety
Second Quarter, Fiscal Year 2014

Performance Overview: Most of the Department of Public Safety's FY14 performance measures focus on alcohol enforcement, investigations, traffic safety and forensic analysis. The department cited high vacancies for targets that were not met. To address poor performance related to manpower issues, in consultation with the LFC, the department proposed a $10.8 million salary plan to be implemented over three years. For FY15, LFC recommended, and the Legislature appropriated, $3 million to implement the first phase of the plan. Salary changes are intended to increase salary competitiveness within the local market and increase separation between ranks, addressing poor recruitment and retention. The first phase of the pay plan will eliminate salary disparities between Motor Transportation Police and State Police and will increase all commissioned officer salaries by an average of eight percent. Addressing poor performance related to retention issues among the department's civilian employees, the Legislature appropriated additional amounts for a three percent salary increase.

	Law Enforcement Program Budget: $88,831.9 FTE: 783.2	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Number of driving-while-intoxicated arrests per patrol officer* (cumulative)	8.1	7.7	12.0	1.9	3.5		G
2	Number of driving-while-intoxicated checkpoints and saturation patrols conducted (cumulative)	724	1,117	750	247	318		Y
3	Number of traffic related enforcement projects held (cumulative)	849	1,209	850	683	756		G
4	Number of criminal investigations conducted by commissioned personnel per FTE assigned to patrol and investigations* (cumulative)	56	55	60	14	27.6		Y
5	Number of drug-related investigations conducted by commissioned personnel per FTE assigned to investigations	16.5	4.6	20.0	1.1	2.5		R
6	Number of licensed alcohol premises inspections conducted per agent assigned to alcohol enforcement duties* (cumulative)	102.6	95.5	288.0	24.5	148.5		G
7	Number of minor compliance operations per agent assigned to alcohol enforcement duties (cumulative)	15.3	9.0	16.0	3.1	4.2		R
	Program Rating	G	Y					Y

Comments: In the second quarter, alcohol-related traffic fatalities were down, and the number of DWI arrests also declined. The number of saturation patrols and enforcement projects held were well above last year's pace, suggesting that the decrease in DWI-related fatalities may be related to department efforts. The number of injury traffic accidents and traffic fatalities remained flat, suggesting the increase in enforcement projects saturation patrols may be impactful on traffic safety. The number of criminal and drug-related investigations conducted per FTE are in decline, and the State Police should focus on these investigations for the remainder of the year. The number of licensed alcohol premises inspections increased sharply and have the potential to positively impact alcohol-related crime. Conversely, minor compliance operations are below target, and the Special Investigations Division cited a lack of personnel for not meeting this target. This target is important as it ensures that alcohol establishments do not serve to minors.

	Motor Transportation Program (MTP) Budget: $26,101.2 FTE: 272.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
8	Number of commercial motor vehicle inspections* (cumulative)	87,682	86,013	90,000	20,031	39,868		Y
9	Number of commercial motor vehicle citations issued* (cumulative)	27,684	27,617	30,000	5,178	11,253		Y
10	Number of non-commercial motor vehicle citations issued (cumulative)	11,226	14,294	11,500	4,766	7,119		G
11	Number of motor carrier safety trainings completed (cumulative)	25	51	32	19	30		G
	Program Rating	G	Y					Y

Comments: Contrary to recommendations from a recent LFC evaluation and to the program's mission, MTP was below target levels for commercial motor vehicle-related performance measures but above target for non-commercial vehicle-related measures. To avoid further mission drift, the program should maintain its focus on commercial motor vehicle safety. Similar to the Law Enforcement Program, compensation is essential to maintaining the ranks of uniformed officers within MTD.

Performance Report Card
Department of Public Safety
Second Quarter, Fiscal Year 2014

Commercial motor vehicle inspections and citations play a vital role in keeping the motoring public safe and ensure commercial carriers are in compliance with state regulations and taxes.

	Statewide Law Enforcement Support Budget: $16,992.5 FTE: 142	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
12	Percent of all forensic cases completed per filled FTE within thirty working days	63%	61%	56%	57%	45%		Y
13	Percent of DNA cases completed per filled FTE within thirty working days	63%	38%	40%	40%	45%		G
14	Percent of forensic latent fingerprint cases completed per filled FTE within thirty working days	24%	74%	40%	23%	16%		R
15	Percent of forensic firearm and tool-mark cases completed per filled FTE within thirty working days	55%	41%	40%	69%	49%		G
16	Percent of forensic chemistry cases completed per filled FTE within thirty working days	86%	67%	85%	72%	57%		R
	Program Rating							Y

Comments: The Statewide Law Enforcement Support Program did not meet several targets citing a continuance of elevated vacancy rates among key forensic analyst positions. The department has begun hiring contractors to assist with backlogs.

	Program Support Budget: $9,574.8 FTE: 60	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
17	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds	0	0	10	0	0		G
18	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	10	10	10	10	10		G
	Program Rating	G	G					G

Comments: Program Support met its performance targets and is performing as expected.

* Denotes House Bill 2 measure

Performance Report Card
Corrections Department
Second Quarter, Fiscal Year 2014

Performance Overview: To address elevated vacancy rates for FY15, the Legislature provided a 3 percent salary increase for all state employees and appropriated an additional $2.7 million to provide another 3 percent salary increase for correctional and probation and parole officers. All recidivism-related measures were off target and should remain an area of concern. In the future, if recidivism rates do not decrease the state will continue growing the inmate population, incarceration expenses will continue to increase, and public safety will decrease. A partial explanation for increases is that the department has been conducting proactive probation supervision initiatives in communities and is arresting large numbers of parole violators. For FY15, the Legislature appropriated $3 million to begin reducing the rate of recidivism and to reduce exponential growth in the inmate population. For the remainder of the year, the department should continue to balance public safety with resource constraints by focusing on offenders that pose the greatest risks to the community.

Inmate Management and Control	Budget: $241,764.8 FTE: 1,870	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent of prisoners re-incarcerated within 36 months*	47%	47%	44%	48%	48%		R
2	Number of inmate-on-inmate assaults with serious injury (cumulative)*	21	16	18	3	5		G
3	Number of inmate-on-staff assaults with serious injury (cumulative)*	1	5	4	2	3		Y
4	Percent of inmates testing positive for drug use or refusing to be tested in random monthly drug tests*	1.7%	2.2%	<=2%	1.8%	1.8%		G
5	Percent of female offenders successfully released in accordance with their scheduled release dates*	78%	77%	90%	68%	63%		R
6	Percent of male offenders successfully released in accordance with their scheduled release dates*	82%	81%	90%	83%	78%		R
7	Percent of sex offenders re-incarcerated within thirty-six months	36%	28%	30%	37%	37%		R
8	Recidivism rate of the success for offenders after release program by thirty-six months*	37%	28%	32%	34%	36%		R
9	Recidivism rate of offenders due to new charges or pending charges	23%	24%	23%	26%	26%		R
10	Recidivism rate of offenders due to technical parole violations*			20%	20%	21%		Y
Program Rating		Y	Y					R

Comments: The department's performance on inmate violence was mixed with inmate-on-staff assaults above target but inmate-on-inmate assaults below targeted levels. The department continues not to release inmates on time, which partially explains the recent surge in population at the New Mexico Women's Correctional Facility (NMWCF), which experienced a 3.6 percent population increase since the end of FY13. Additionally, all recidivism-related measures are above target, adding to the overall inmate population increase. The department stated that the uptick in recidivism is due to increased security threat intelligence unit offender apprehension efforts. The population of male offenders has increased by 3.3 percent year-over-year. Additionally, the percent of sex offenders recidivating was 11 percent above the FY13 rate and is a cause for concern, especially if the rate remains elevated for the rest of the year. Surges in the inmate population will cause department costs to rise dramatically. The department should continue focusing its offender apprehension efforts on offenders that pose the greatest risk to the community.

Community Offender Management	Budget: $33,218.5 FTE: 392	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
11	Average standard caseload per probation and parole officer	114	108	95	106	103		Y
Program Rating		R	R					Y

Comments: Average standard caseload exceeds targeted levels, but the Legislature appropriated enough for an average 6 percent salary increase which should start helping to reduce the 20 percent vacancy rate among probation and parole officers. Eventually, if recruitment and retention-related issues are managed effectively the department should begin slowly progressing towards making caseloads more manageable for parole officers. With the expansion of Medicaid eligibility in FY14, the COM program should leverage Medicaid to ensure parolees receive adequate services when released. Funding should also be reprioritized to focus on high-risk offenders.

Program Support	Budget: $14,274.5	FTE: 155	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
12	Percent turnover of probation and parole officers		13.4%	14.7%	12.0%	3.4%	2.8%		G
13	Percent turnover of correctional officers in public facilities		10.6%	8.1%	11.0%	1.0%	3.1%		G
Program Rating			G	G					G

Comments: Program support is performing well and should continue maintaining low turnover rates.

* Denotes House Bill 2 measure

Performance Report Card
Department of Transportation
Second Quarter, Fiscal Year 2014

Performance Overview: The Department of Transportation (NMDOT) is facing continued problems with declining state road fund revenues, forcing it to complete required construction and maintenance projects with limited resources. However, with some exceptions, NMDOT is making progress in meeting its FY14 performance targets. In the Programs and Infrastructure Program, the department reported a small increase in the number of traffic fatalities; most of that increase is from non-alcohol-related fatalities. Results for alcohol-related fatalities remained flat. Data related to the percent of lane miles rated either good or deficient is reported annually. Vacancy rates remain high but continue to decline.

Programs and Infrastructure	Budget: $573,285.8	FTE: 397	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Number of traffic fatalities		395	304	≤345	61	77		G
2	Number of alcohol-related traffic fatalities		169	120	≤130	22	22		G
3	Number of non-alcohol-related traffic fatalities		226	184	≤215	39	57		Y
4	Number of occupants not wearing seatbelts in motor vehicle fatalities*		169	114	≤150	28	32		G
5	Number of crashes in established safety corridors*		511	n/a	≤600	n/a	n/a		
6	Percent of projects in production let as scheduled*		65%	63%	≥70%	22%	80%		G
7	Percent of airport runways in satisfactory or better condition		64%	66%	≥60%	66%	50%		R
8	Number of pedestrian fatalities		57	54	≤43	8	4		G
9	Ride quality index for new construction*		4.1	4.2	≥4.0	4.1	4.2		G
10	Percent of bridges in fair condition or better (based on deck area)		baseline	baseline	75%	93.8%	94.1%		G
11	Percent of final cost-over-bid amount on highway construction projects		3.0%	3.5%	≤3.0%	0.0%	4.0%		Y
12	Annual number of riders on park and ride* (cumulative)		310,128	312,320	≥275,000	82,507	158,184		G
13	Annual number of riders on the rail runner, in millions*		1.2	1.1	≥1.3	301,551	252,095		R
Program Rating			R	Y					G

Comments: NMDOT remains on track to meet FY14 targets related to traffic fatalities, even with the slight increase in non-alcohol fatalities reported in the second quarter. Alcohol-related fatalities remain far lower than reported in previous fiscal years. The department attributes this improvement to high-visibility law enforcement operations and more intensive DWI enforcement programs. The department also states improvement in contract letting is now considered one of its highest priorities, having implemented a new scheduling program, providing additional staff training in contract scheduling and establishing a rigorous monitoring program. The results for percent of cost-over-bid amount on highway construction projects increased compared with the first quarter of FY14, but NMDOT believes it is in an acceptable range given normal construction change factors. According to the department, the results for the measure for percent of airport runways in satisfactory or better condition has been negatively impacted by new testing methods instituted by the department, and are not indicative of the overall safety of airport runways.

The *State Road Fund Outlook* in January 2014 reduced projected revenues for FY15 by $6 million from the department budget request. On February 25th, NMDOT issued $80.6 million in subordinate lien bonds (Series 2014A). The last maturity of the bonds is in June, 2032 and the total debt service on the bonds will be $115.8 million. With the addition of these bonds, the state will have total outstanding debt of nearly $2 billion, including principle of $1.5 billion and interest of $553.6 million.

Performance Report Card
Department of Transportation
Second Quarter, Fiscal Year 2014

	Transportation and Highway Operations	Budget: $242,668.0 FTE: 1,838.7	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
14	Percent of non-interstate miles rated good*		84.5%	n/a	≥85.0%	Annual			
15	Percent of interstate miles rated good*		96.8%	n/a	≥97.0%	Annual			
16	Number of combined systemwide miles in deficient condition		3,644	n/a	≤3,500	Annual			
17	Number of statewide pavement preservation lane miles*		2,169	3,139	≥2,500	1,011	799		G
18	Amount of litter collected from department roads, in tons*		9,001	6,825	≥14,000	1,705	1,206		R
19	Customer satisfaction levels at rest areas*		99%	99%	≥98%	99%	99%		G
20	Maintenance expenditures per lane mile of combined systemwide miles		$2,684	$1,731	n/a	Annual			
Program Rating			R	R					G

Comments: Performance measures 13, 14, and 15 are not available quarterly given current department data collection procedures. The results for measures 17 and 18 are expected to increase with warmer weather.

	Program Support	Budget: $48,606 FTE: 251.8	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
21	Vacancy rate in all programs*		19.4%	15.8%	≤11.0%	14.9%	14%		R
22	Number of employee injuries*		90	81	≤95	31	21		Y
23	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		6 days	7 days	≤10 days	7 days	7 days		G
24	Number of employee injuries occurring in work zones		baseline	19	≤50	5	6		G
25	Percent of invoices paid within thirty days		97%	86%	≥95%	90%	87%		Y
Program Rating			Y	Y					Y

Comments: NMDOT's vacancy rate remains high but continues to decline as a result of intensive recruitment and retention actions. The results for number of employee injuries and number of employee injuries in workzones are tracking below FY14 targets but above FY13 actuals.

* Denotes House Bill 2 measure

Performance Report Card
Energy, Minerals And Natural Resources Department
Second Quarter, Fiscal Year 2014

Performance Overview: The agency is on pace to meet FY14 targets despite challenges such as drought conditions, severe fire seasons, and increased production of oil and gas – a critical source of employment and income for New Mexico.

	Renewable Energy and Energy Efficiency Program Budget: $3,451.1 FTE: 9	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent reduction in energy use in public facilities upgraded by clean energy projects	21.5%	16%	10%	10%	11%		Y
2	Number of Waste Isolation Pilot Plant (WIPP) related emergency responder and shipment inspection trainings and practice exercises conducted	new	80	45	9	8		Y
3	Number of inventoried clean energy projects evaluated annually	54	55	50	12	9		Y
4	Percent of applications for clean energy tax credits reviewed within thirty days of receipt	new	99%	60%	100%	100%		G
	Program Rating	Y	G					Y

Comments: The baseline energy use (site electricity and natural gas) in state and local governments, school districts, higher education institutions, and tribal facilities where energy efficiency measures have been implemented is estimated to have been reduced by 11 percent. Program staff reviewed all 524 applications for the four clean energy tax credit programs received during the quarter within 30 days of receipt. Although most WIPP related emergency responder and shipment inspection trainings occur in the last quarter of the fiscal year, the agency may not be able to sustain the same level of activity as last year due to WIPP Coordinator vacancies at both the Department of Public Safety and the State Fire Marshalls Office.

	Healthy Forests Program Budget: $14,048.0 FTE: 68	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
5	Number of non-federal wildland firefighters provided professional and technical incident command system training*	1,474	1,687	600	27	261		G
6	Number of acres treated in New Mexico's forest and watersheds* (cumulative)	11,971	18,669	8,000	3,487	4,484		G
7	Number of at-risk communities or local fire departments provided funding for wildland firefighting equipment or training	new	89	60	2	70		G
	Program Rating	G	G					G

Comments: State Forestry is on track to perform well on all of its measures. The majority of training takes place over the winter and spring months prior to fire season when fire activity is lowest. The program assists local fire departments with equipment purchases throughout the winter months to spend federal allocations. Between federal fiscal years 2011 and 2013, federal funding decreased 20.5 percent for state fire assistance. The U.S. Forest Service notified the agency that federal funding levels are expected to continue to decrease in the future. The 2014 General Appropriation Act included over $900 thousand in general fund for 12 positions to establish firefighting crews comprising armed forces veterans. The initiative enables the agency to train and hire more New Mexicans to fight fires within the state during peak fire season. Although the number of acres treated in the state increased significantly, it is not sufficient – experts suggest 50 thousand to 100 thousand acres should be treated per year to proactively thin overgrown forests so they are more resilient to fire, drought, insects and disease. 2014 capital outlay appropriations to the agency included $6.2 million for watershed restoration.

	State Parks Program Budget: $29,718.9 FTE: 263	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
8	Number of visitors to state parks*	4,101,098	3,785,332	4,000,000	1,575,754	469,989		Y
9	Self-generated revenue per visitor, in dollars*	$1.05	$0.97	$1.05	$0.85	$0.90		R
10	Miles added to state parks trails and the Rio Grande Trail	31.11	8.2	10	7	0		Y
11	Number of persons that complete a certified New Mexico boating safety education course	625	772	800	250	53		Y

Performance Report Card
Energy, Minerals And Natural Resources Department
Second Quarter, Fiscal Year 2014

12	Number of interpretive programs available to park visitors	3,962	2,566	2,800	568	404		R
Program Rating		G	Y					Y
Comments: State park visitation and self-generated revenue per visitor do not appear to be on pace to meet the annual targets because the program is facing challenges related to inclement weather including drought, fire, floods, high fuel prices, low water levels and lake closures throughout the state. The program should look for new ways of creating revenue opportunities and seek operating cost efficiencies.								
Mine Reclamation Program	Budget: $8,262.7 FTE: 32	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
13	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	100%	100%	100%	99%	99%		G
14	Percent of required inspections conducted per year to ensure mining is being conducted in compliance with approved permits and regulations	100%	100%	100%	Annual			
Program Rating		G	G					G
Comments: All permitted mines must have financial assurance posted to cover the cost of reclamation, including coal and uranium mines. Ninety-six out of 97 mines are permitted with adequate financial assurance and approved reclamation plans. In the second quarter, the program determined the Eagle Mesa Mine was inadequately covered with financial assurance. The Eagle Mesa is a humate operation that expanded beyond the 10 acre limit and was issued a notice of violation since their financial assurance was inadequate for the amount of acreage disturbed.								
Oil and Gas Conservation Program	Budget: $9,343.3 FTE: 61	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
15	Number of inspections of oil and gas wells and associated facilities*	35,147	37,707	30,000	8,932	7,916		G
16	Number of abandoned oil and gas wells properly plugged using Reclamation Fund monies	new	57	25	10	16		G
Program Rating		G	G					G
Comments: The program appears to be performing its inspection responsibilities, despite the continued heavy workload for inspectors. However, the agency noted, it may not sustain the same level of inspections as reported in FY13 due to problems with recruitment and retention primarily stemming from competition in the private oil and gas sector in New Mexico. This has contributed to a vacancy rate of 23 percent for the first half of FY14. High exploration, drilling, and production activity in the Permian Basin demonstrate the need to enhance the level of service. The program is currently working with a group of contractors to properly plug a significant number of wells resulting from the business failure of the former Xeric Oil and Gas Corp. There are 45 such wells located southwest of Hobbs, 26 of which were plugged in the first and second quarters of FY14.								

* Denotes House Bill 2 measure

Performance Report Card
Office of the State Engineer
Second Quarter, Fiscal Year 2014

Performance Overview: Ongoing drought continues to strain the limited water supply. The department attributes the backlogs in water rights applications to both the high number of applications submitted due to continued drought conditions and the number of vacancies. The department's average vacancy rate was 12 percent at the end of the second quarter of FY14, down from an average 15 percent in FY13, 18 percent in FY12 and 22 percent in FY11.

	Water Resource Allocation Program Budget: $13,180.2 FTE: 167	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Number of unprotested and unaggrieved water right applications backlogged*	991	1,332	650	1,400	1,393		R
2	Average number of unprotested new and pending applications processed per month*	46.2	32.3	65	56	40		Y
3	Number of dams inspected per year and notices delivered to owners notifying of potential problems* (cumulative)	64	93	100	15	42		G
4	Number of transactions abstracted annually into the water administration technical engineering resource system database*	24,678	22,331	23,000	4,870	3,584		Y
5	Percent readiness to perform active water resource management within lower San Juan river basin	98%	98%	100%	98%	98%		Y
6	Percent readiness to perform active water resource management within lower Pecos river basin	85%	85%	85%	85%	85%		G
7	Percent readiness to perform active water resource management within lower Rio Grande river basin	85%	85%	85%	85%	90%		G
	Program Rating	R	R					Y

Comments: The program ramped up hiring, but the high number of water right applications submitted due to the continued drought conditions, the on-going lower Rio Grande adjudication and pending Texas v. New Mexico litigation persists and the program is not on track to meet FY14 targets. In November 2012, the state Supreme Court upheld the Legislature delegated lawful authority to the State Engineer to promulgate active water resource management (AWRM) rules for administration during water supply shortages such as expediting water leasing, permitting, monitoring and metering diversions. The program has completed a draft of AWRM rules and regulations for the San Juan Basin, which still need to be promulgated. The Dam Safety Bureau hired key positions in FY13, and now the program is on pace to meet FY14 dam inspection targets.

The 2014 General Appropriation Act included $1.8 million to address the water rights application backlog, dam inspections and new initiatives including AWRM, administration of the distribution of water for both the Taos settlement, signed in December 2012, and the Aamodt settlement, signed in March 2013, administration of the distribution of water from Colorado for the Animas-La Plata project, metering orders for the Pecos Valley and Mimbres River issued in 2013 changes in domestic well permits based on the Bounds Decision issued by the Supreme Court in July 2013.

	Interstate Stream Compact Compliance and Water Development Program Budget: $13,305.4 FTE: 49	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
8	Cumulative state-line delivery credit (Pecos river compact)*	100K AF	102K AF	0	Annual			G
9	Rio Grande compact accumulated delivery credit*	80K AF	3K AF	0	Annual			G
	Program Rating	G	G					G

Comments: The two measures are reported on a calendar year basis after the data has been approved by the respective compact commission. As such, the information for FY14 is not yet available. Monsoon rain and associated flooding in September 2013 resulted in tremendous volumes of water entering middle Rio Grande reservoirs. In particular, Elephant Butte Reservoir gained nearly 75,000 acre-feet which ensured New Mexico will be in an accrued credit status pursuant to the Rio Grande Compact for 2014. Without the September monsoon rains, New Mexico may have been in an accrued debit status for 2014. Additionally, several stream gauges were damaged during the flooding in September 2013 and the U.S. Geological Survey will need to manually reconstruct hydrographs to determine the state's current delivery status to Texas.

Performance Report Card
Office of the State Engineer
Second Quarter, Fiscal Year 2014

Litigation and Adjudication Program	Budget: $6,451.8	FTE: 68	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
10	Number of offers to defendants in adjudications*		640	501	600	197	304		Y
11	Percent of all water rights that have judicial determinations*		53%	54%	54%	55%	55%		Y
Program Rating			R	R					Y

Comments: Without full adjudication, the state lacks a legal basis for enforcing water rights during times of drought. Currently, twelve adjudications are pending in New Mexico. Six are in state court and six are in federal court. The Pecos River adjudication started in 1956, lasting 58 years. The Aamodt adjudication has been pending in federal court since 1966, lasting 48 years. The Taos adjudication started in 1969, lasting 45 years. The San Juan adjudication started in 1975, lasting 39 years. At the current pace, the Litigation and Adjudication Program may be decades away from adjudicating all water rights in New Mexico.

Judicial determinations of water rights increased from 34 percent to 54 percent over the past ten years, while the Litigation and Adjudication Program budget for those ten years totaled $63.8 million. However, the percent of water rights that have judicial determinations only reflects the water rights in active and completed adjudications and does not include the Middle Rio Grande and the Canadian River adjudications that have yet to be initiated.

The 25 percent vacancy rate in the Litigation and Adjudication Program was the highest of all OSE programs in the second quarter. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector engineering and law firms. The program relies on contractual services to augment its staff attorneys, to advance the state's active adjudications.

The agency informed the Legislature the bottleneck in the adjudication process stems from slow progress on hydrographic surveys. Accordingly, the Legislature included a $600 thousand recurring appropriation in the 2014 General Appropriations Act for hydrographic survey staff to expedite adjudications. This appropriation was contingent on the agency submitting quarterly reports to the Department of Finance and Administration and the Legislative Finance Committee on the progress of water adjudications. However, the governor vetoed the contingency language requiring regular reporting on the progress of adjudications.

LFC staff, with cooperation from AOC staff, developed a quarterly progress report on adjudications containing goals, budget and FTE resources, as well as quantitative and qualitative progress metrics. See attached for the pilot progress report for the Lower Rio Grande adjudication. For the Lower Rio Grande adjudication, which began in 1996, 60 percent of the total number of subfiles have been sent to date, whereas 41 percent of the total number of subfile orders have been filed to date. A subfile is a water claim or collection of water claims within a specific hydrographic survey area which is/are associated with the same person(s) or entity.

* Denotes House Bill 2 measure

Performance Report Card
Office of the State Engineer
Second Quarter, Fiscal Year 2014

LOWER RIO GRANDE ADJUDICATION
QUARTERLY PROGRESS REPORT

I. GOALS

Goal: Complete Adjudication
*The Lower Rio Grande adjudication began in 1996. Pending in State court.

Intermediate Goals - Target Completion Date
1. Enter subfile orders for all water rights - OSE declined to provide target completion date
2. Conduct Inter Se (objections) - OSE declined to provide target completion date
3. Enter Partial Final Decree - OSE declined to provide target completion date

II. PROGRESS METRICS

Hydrographic Survey: Identification of water rights	**FY13**	**FY14 2nd Quarter**	**Target**
Total number of subfiles filed with court: 13,907			
Adjudication packets served	235	143	TBD
Objections raised by defendants	21	14	TBD
Objections resolved without court mediation or litigation	28	8	TBD
Consent Orders and Defaults	219	108	TBD
Adjudication of Disputed Subfiles	**FY13**	**FY14 2nd Quarter**	**Target**
Mediation referrals	2	2	TBD
Subfiles referred to trial	2	1	TBD
Percentage completion: Total Number of subfiles sent to date: 8,351 (60% of 13,907) Total Number of subfile orders filed to date: 5,716 (41% of 13,907)			
Inter Se	**FY13**	**FY14 2nd Quarter**	**Target**
Document review/preparation	Not commenced	N/A	TBD
Dispute Resolution	Not commenced	N/A	TBD

Major Court Activity	**FY13**	**FY14 2nd Quarter**	**Target**
Hearings conducted by court	7	3	TBD
Motions/Briefs reviewed by court	235	139	TBD
Opinions and orders entered by court (includes consent orders)	299	162	TBD

Performance Report Card
Office of the State Engineer
Second Quarter, Fiscal Year 2014

III. BUDGET, FTE

Office of the State Engineer- Litigation and Adjudication Program		
	FY14 Budget	**FTE or Contractors**
Personal Services and Employee Benefits	$4,680,00	68
Contractual Services	$1,435,800	4.4
Other Costs	$335,00	
Total FY14	**$6,451,800**	**72.4**

Administrative Office of the Courts - Water Rights/Adjudication		
	FY14 Budget	**FTE or Contractors**
Statewide Adjudication PSEB + Expenses -Statewide adjudication judge and AOC staff attorney	$100,700	1
District Water Clerks		
Lower Rio Grande Adjudication	$102,420	2
San Juan Adjudication	$85,520	1
Pecos Adjudication	$63,560	1
Contractual Services		
Special Masters	$143,800	.7
Court Data Managers	$130,000	1
Water Rights Mediators (Statewide)	$35,000	.2
Water Judges *pro tempore*	$10,000	.05
Total FY14	**$671,000**	**6.95**

IV. QUALITATIVE DISCUSSION

Basin-wide Issues including Federal Claims	**Progress**
Elephant Butte Irrigation District Assessed Acreage	Order filed November 2009
Stream System Issue 101: Irrigation water requirements for pecans and all crops	**Complete**: Final Judgment entered August 22, 2011
Stream System Issue 102: EBID groundwater claim	**Complete**: Stipulated subfile order entered October 4, 2010
Stream System Issue 103: Domestic wells: priority date and amount	Order designating issue entered December 23, 2009; no current activity
Stream System Issue 104: US' Interests in the Rio Grande Project 1) Sources of water for the US' Rio Grande Project 2) Amount of water 3) Priority date	1) **Complete**: Order filed August 2012 2) **Near Complete**: Draft order circulated December 2013 3)Pretrial activities in progress Awaiting Scheduling Order
Stream System Issue 105: Claims of the Estate of Nathan Boyd	**Complete**: Order entered February 24, 2012. Appeal Pending before the Court of Appeals

Performance Report Card
Office of the State Engineer
Second Quarter, Fiscal Year 2014

ADJUDICATION QUARTERLY PROGRESS REPORT GLOSSARY

Claimant: Individual asserting a water right or an individual identified by a hydrographic survey as the owner of a water right

Hydrographic Survey: technical examination of a geographic area of an adjudication to locate, quantify, and date all existing water rights.

Inter se: proceeding that typically occurs at the end of an adjudication to permit claimants to challenge the rights of other claimants

- **Expedited *inter se***: proceeding conducted before the end of the adjudication to resolve a water rights claim that involves, the claimant, the case plaintiff (usually the State of New Mexico), and all other claimants (for example the proceeding to resolve the water rights of the Navajo Nation)

Mediation: an intervention in a dispute in which a neutral third party assists the parties to the dispute in the effort to reach agreement. In the adjudications, participation in mediation is voluntarily.

Stream system issue: any issue that, when resolved, could directly affect a large number of water rights claimants (for example, the irrigation requirements of crops)

Subfile: a water claim or collection of water claims within a specific hydrographic survey area which is/are associated with the same person(s) or entity.

Water rights adjudication: legal proceeding to determine the existence and scope of all water rights, including the ownership, amount, and priority, for a given drainage basin.

Performance Report Card
Department of Environment
Second Quarter, Fiscal Year 2014

Performance Overview: The Department of Environment is fulfilling inspection and permitting functions. Most of the department's measures are process-oriented, rather than providing indicators of environmental protection. The measures should be revised to include outcome-oriented measures, such as the number of days ambient air quality standards are violated, to help legislators formulate policies and practices to ensure air and water are cleaner for New Mexicans.

	Field Operations and Infrastructure Budget: $17,835.4 FTE: 193	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent of the population served by community water systems that receive drinking water that meets all applicable health-based drinking water standards	new	new	91%	92%	96.2%		G
2	Percent of public water systems surveys conducted to ensure compliance with drinking water regulations*	89%	95%	92%	99%	98%		G
3	Percent of public drinking water systems inspected within one week of confirmation of system problems that might acutely impact public health*	100%	100%	100%	100%	100%		G
4	Percent of large quantity hazardous waste generators inspected*	20%	24%	20%	2.8%	4.2%		R
5	Total number of new projects funded and dollar amount of new loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in thousands	9/ $8,180	10/ $9,870	TBD	2/ $28,136	3/ $3,219		G
6	Percent of high-risk food-related violations corrected within the timeframes noted on the inspection report issued to permitted commercial food establishments*	83%	92%	100%	99%	98.9%		Y
7	Percent of annual permitted food establishments inspected within timeframe due	new	new	100%	99%	99.8%		Y
	Program Rating	Y	Y					Y

Comments: The program identified 257 water systems that could be vulnerable if their only source of water is impaired or cannot produce adequate quantities. Although it is important that the program inspect and survey public water systems, the results of those inspections and the number of water systems whose water tests exceeded standards are also of interest. Out of 1,869 high-risk food-related violations found by inspectors, 1,848 were corrected timely.

In the second quarter, the Clean Water State Revolving Fund (CWSRF) executed a loan/grant combination with the City of Socorro in the aggregate amount of $1,200,000 ($950,000 Loan/$250,000 grant) for the purpose of expanding the wastewater collection system to the Hope Farms Area. The Rural Infrastructure Revolving Loan Program (RIP) executed a $2 million loan agreement with the Dona Ana MDWCA for the purchase of the assets of Picacho Hills Utility Company and the upgrades for the water and wastewater system. The RIP also executed a loan agreement with Hanover MDWCA in the amount of $18,599 to conduct pump testing of wells. The RIP continues to work with El Prado W&SD, the Village of Cimarron, Coyote Creek MDWCA and Cedar Crest MDWC & SWA loan requests.

2014 capital outlay appropriations to the agency totaled $55 million, mainly for water infrastructure projects. In addition, the 2014 General Appropriation Act (GAA) included $150 thousand in general fund revenue for the Dry Community Water Emergency Fund for communities experiencing water crises such as a well running dry or other failed water source or a water main break or tank providing emergency relief such as hauling water or well rehabilitation. Additionally, the 2014 GAA included $111 thousand in general fund revenue for Technical Assistance Planning Initiative to provide rural communities with engineering and other assistance to improve water infrastructure systems.

	Resource Protection Program Budget: $27,032.1 FTE: 229.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
8	Percent of groundwater discharge permitted facilities receiving annual field inspections and compliance evaluations*	46%	52%	50%	15%	23%		Y
9	Percent of permitted facilities where monitoring results demonstrate compliance with groundwater standards*	71%	71%	71%	70%	70%		Y
10	Percent of underground storage tank facilities in significant operational compliance with release prevention and release	69%	60%	70%	Annual			

	detection requirements of the petroleum storage tanks regulations*							
Program Rating		Y	Y					Y

Comments: Although measures track whether permitted facilities are complying with groundwater standards, the program's performance results do little to indicate whether pollution is prevented or water quality of New Mexico's limited water supply is improving. Measures, such as the number of New Mexico's surface waters that are impaired, should be adopted.

The 2014 General Appropriation Act included $650 thousand in general fund revenue to match federal funds to cleanup Superfund sites.

Environmental Protection Program	Budget: $15,265.2 FTE: 161	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
11	Percent of permitted active solid waste facilities and infectious waste generators inspected that were found to be in substantial compliance with the New Mexico solid waste rules*	85%	82%	86%	88%	91%		G
12	Percent of radiation-producing machine inspections completed within the timeframes identified in radiation control bureau policies*	88%	99%	88%	97%	100%		G
13	Percent of landfills compliant with groundwater sampling and reporting requirements	95%	100%	75%	100%	92%		G
14	Percent of facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	100%	97%	100%	100%	100%		
15	Percent of serious worker health and safety violations corrected within the timeframes designated on issued citations from the consultation and compliance sections	94%	93%	95%	97%	87.2%		G
16	Percent of referrals alleging serious hazards responded to via an on-site inspection or investigation (letter or phone call to employer) within ten working days	93%	94%	95%	95%	98.1%		G
Program Rating		Y	Y					G

Comments: As of 2011, New Mexico is ranked 44th nationally in workplace fatalities. For four out of the five years for which data is available, New Mexico has higher rates of private sector occupational injuries and illnesses than the national average. The program's measures are among the more meaningful in the department because they provide information concerning improved worker safety and solid waste facility compliance with environmental regulations. Nevertheless, additional outcome measures of interest should be adopted including the number of air quality violations, the number of workplace injuries statewide, compared with other states, or if employees are suffering fewer health and safety incidents.

* Denotes House Bill 2 measure

Performance Report Card
Economic Development Department
Second Quarter, Fiscal Year 2014

Performance Overview: The Economic Development Department (EDD) announced 826 new jobs in the second quarter of FY14 -- a significant increase from the first quarter, and leaving the department at 46 percent of the annual target midway through the fiscal year. The state economy grew just 0.4 percent from December 2012 to December 2013, lagging behind every state in the region and trailing the national job growth rate of 1.6 percent, demonstrating the need for increased job creation performance. To address this need, the Legislature appropriated $15 million in the 2014 session for EDD to use as a “closing fund” under the Local Economic Development Act to win business projects and create jobs.

New Mexico now has the lowest effective tax rate for manufacturers in a nine-state western region, according to an updated tax competitiveness study by the New Mexico Tax Research Institute and Ernst & Young. Before applying tax credits, the state’s average effective tax rate for manufacturers dropped from 17.9 percent in a 2011 study to 9.5 percent in the updated study. After credits are applied the rate dropped from 8.1 percent to 3.3 percent -- well below the average of 6.3 percent for the remaining eight states.

The financial services sector added 3,100 jobs from December 2012 to December 2013, growing by 9.1 percent. Without this sector’s gains, New Mexico would have experienced an overall job loss for the year. The mining and logging industry also grew significantly, by 5 percent, adding 1,200 jobs. Although the retail trade industry’s growth was significantly less at 2 percent, it added 1,900 jobs to the state economy. This was the industry’s greatest year-over-year increase since April 2008.

	Economic Development Program Budget: $3,876.9 FTE: 23	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Total number of jobs created due to economic development department efforts *	2,684	3,093	2,500	318	826		Y
2	Number of rural jobs created *	1,542	1,440	1,250	178	281		Y
3	Number of jobs created through business relocations facilitated by the economic development partnership *	657	244	1,700	20	270		Y
4	Number of jobs created by the mainstreet program *	592	529	600	184	156		G
5	Percent of employees whose wages were subsidized by the job training incentive program still employed by the company after one year	72%	72%	60%	Annual			
6	Number of workers trained by the job training incentive program *	1,015	844	1,000	64	82		R
7	Average wage of jobs funded through the job training incentive program	new	$18.46	$20.00	$22.24	$23.04		G
8	Number of existing exporters assisted in entering new markets	new	new	10	4	3		G
9	Number of business advocacy cases opened/solved	new	75/58	100/45	22/17	25/14		G
10	Number of businesses provided technical assistance resulting in a funding package and job creation	new	new	5	0	2		G
	Program Rating	Y	G					Y

Comments: The Legislature appropriated an additional $300 thousand for the Economic Development Partnership for FY14. However, due to a required delay for posting notice of payment and a much longer, avoidable delay in posting the notice, the Partnership received no funding for the first quarter. In addition to state funding, the Partnership is attempting to raise $200 thousand in cash and $50 thousand of in-kind contributions from private sources.

Number of jobs created by the MainStreet Program is the one job performance measure on track to exceed the annual target, and an independent consultant completed a report concluding that for every state dollar invested in the MainStreet program since 1986, MainStreet districts saw private sector investment of $21.89 in building rehabilitation and $22.55 in new construction. Additionally, from 1986 to July 2013, MainStreet districts gained 3,200 net new businesses and nearly 11.3 thousand net new jobs. EDD announced seven communities selected to receive MainStreet assistance through the new “frontier communities” pilot program: Carrizozo, Columbus, Hurley, Madrid, Historic Route 66 in Moriarty, Santa Clara, and Wagon Mound.

The Job Training Incentive Program (JTIP) provided funding to train 82 workers, leaving the program at just 14.6 percent of the annual goal. Although the job numbers are low, the average wage increased from FY13 actuals and the FY14 target. EDD began airing radio public service announcements (PSAs) during the first two quarters to promote JTIP, and the department began airing JTIP television PSAs in the second quarter, which will run for six months.

Film Program	Budget: $757.1	FTE: 8	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
11	Number of media industry worker days *		143,046	216,461	150,000	70,508	21,549		G
12	Direct spending by film industry productions, in millions *		new	new	$225	$33	$22		R
13	Number of films and media projects principally photographed in New Mexico		57	53	60	10	10		Y
Program Rating			G	G					Y

Comments: The Film Program is on track to exceed the annual target for media industry worker days, but the number of films and media projects in New Mexico remains low compared to previous years. However, EDD now counts only projects that use the film credit rather than all projects, contributing slightly to the lower numbers. The local industry maintains the lower numbers are primarily due to the $50 million cap instituted for the film production tax credit, although legislation passed in 2013 providing an additional incentive for television productions is drawing interest. The Legislature addressed the cap issue during the 2013 session by allowing a rollover from one fiscal year to the next of any unused funds of up to $50 million. These amounts will not count toward a subsequent year's annual limitation. The reported numbers for direct spending by film industry productions are far below the annual target; however, this measure is new, and the target might need to be adjusted as the department gathers this data.

* Denotes House Bill 2 measure

Performance Report Card
Tourism Department
Second Quarter, Fiscal Year 2014

Performance Overview: The leisure and hospitality industry is growing but is no longer leading New Mexico's job growth, adding 1,500 jobs from December 2012 to December 2013. The financial services industry and retail trade added more jobs during the period, growing by 3,100 jobs and 1,900 jobs, respectively. New Mexico ranks 46th nationally for employment growth and trails in this category, at 0.4 percent, compared with every state in the region; however, if New Mexico's overall employment growth matched that of its leisure and hospitality industry -- 1.7 percent -- the state would slightly exceed the national average for job growth.

The Tourism Department is not a key agency and is not required to report quarterly on performance measures. However, due to the tourism industry leading the state's job growth in FY13 and in the first quarter of FY14, the Legislature appropriated nearly $2 million in additional funding for tourism advertising for FY14 and an additional $2.5 million for FY15. Therefore, LFC staff recommends making the Tourism Department a key agency for reporting purposes.

Marketing and Promotion Program	Budget: $7,811.5	FTE: 36.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent increase in gross receipts tax revenue for accommodations receipts		n/a	0.9%	2.0%	n/a	n/a		n/a
2	Number of new jobs created in the leisure and hospitality industry year-over-year		n/a	3,700	800	4,400	1,500		G
3	Dollars spent per overnight primary visitor per day		$63.50	$74.91	$63.00	Annual			-
4	New Mexico's domestic overnight visitor market share		1.0%	1.0%	1.1%	Annual			-
5	Percent of visitors who choose New Mexico as their primary destination		72%	71%	70%	Annual			-
6	Number of unique digital visitor guide visits		n/a	n/a	120,000	50,585	34,441		G
Program Rating			n/a	G					G

Comments: The department is using the additional advertising funds appropriated for FY14 to expand marketing efforts farther into Texas to include Dallas and Houston and also begin advertising in Chicago. Last year's return on investment study showed ads in Colorado and Arizona produced the greatest returns, so the department will continue the campaign in those states. The reduced job growth for the leisure and hospitality industry for the second quarter is the result of a significant annual drop-off in visitation in November and December. If the annual trend continues, the rate of growth should increase during the third quarter. Advertising expenditures through the second quarter were $1.7 million; the department plans to spend the remaining $2.8 million on winter advertising ($260 thousand), spring/summer advertising ($2 million), targeted digital advertising ($242 thousand), and regional advertising ($335 thousand). Gross receipts tax revenue data has not been published by the Taxation and Revenue Department since the fourth quarter of FY13.

New Mexico Magazine Program	Budget: $3,405.1	FTE: 14	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
7	Circulation rate*		94,221	91,197	95,000	Annual			-
8	Advertising revenue per issue, in thousands*		$65	$68	$80	$65	$65		Y
9	Number of qualifying website visits to nmmagazine.com and newmexico.org, in thousands		n/a	715	565	277	253		G
Program Rating			n/a	G					G

Comments: *New Mexico Magazine* is the oldest state magazine in the United States, founded in 1923, and is the third-largest state-owned publication in circulation. The Western Publications Association named it the best regional and state consumer magazine for 2013. Advertising revenue per issue remains low, but program revenues exceeded expenditures in FY12 and FY13 after losing money for several years.

* Denotes House Bill 2 measure

Performance Report Card
Workforce Solutions Department
Second Quarter, Fiscal Year 2014

Performance Overview: Overall, Workforce Solutions Department (WSD) increased several performance measures during the second quarter of FY14. However, WSD continues to struggle with increasing wait times to complete a transaction with the Unemployment Insurance (UI) call center. The agency has requested the LFC and the department collaborate to clarify this performance measure. The performance measure includes several services provided by the UI call center other than filing a claim for unemployment.

Workforce Transition Services	Budget: $25,184.6	FTE: 331	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim*		72%	70%	75%	55%	76%		G
2	Percent of youth that entered employment or are enrolled in post-secondary education and/or advanced training after receiving workforce investment act services*		57%	57%	57%	56%	55%		Y
3	Number of adults and dislocated workers receiving workforce investment act services (rolling quarter)		2,206	2,603	3,500	2,287	2,318		G
4	Average time to complete a transaction with the unemployment insurance call center, in minutes*		15 min	36 min	10 min	44.5 min	68 min		R
5	Percent of recently separated veterans entering employment		45%	45%	60%	52%	48%		R
6	Percent of disabled veterans entering employment after receiving workforce development services		39%	39%	45%	47%	44%		Y
7	Total number of individuals receiving Wagner-Peyser employment services		new	baseline	150,000/37,500 (annual/qtr)	125,699	125,985		G
8	Percent of unemployed individuals employed after receiving Wagner-Peyser employment services		new	baseline	51%	55%	53%		G
9	Percent of individuals that have received Wagner-Peyser employment services retaining employment after six months*		new	baseline	70%	78%	76%		G
10	Average six-month earnings of persons entering employment after receiving Wagner-Peyser employment services		new	baseline	$12,500	$13,447	$13,251		G
11	Percent of recently separated veterans retaining employment after six month		new	baseline	65%	77%	72%		G
12	Average six-month earnings of persons entering employment after receiving veterans' services		new	baseline	$16,000	$17,195	$16,745		G
13	Percent of all first payments made within fourteen days after the waiting week		new	baseline	85%	71%	82%		Y
Program Rating			Y	Y					Y

Comments: The Workforce Transitions Services (WTS) program continued to struggle meeting the FY14 performance measure for time to complete a transaction with the UI call center. The call center was significantly impacted during the second quarter by the federal government shutdown, seasonal agricultural workers, and the pending end of the Emergency Unemployment Compensation (EUC) program, all of which contributed to increased average call times. The performance measure includes several services available through the UI call center including new claims, password issues, weekly certifications, and overpayments issues which are increasing the performance measure times. The LFC and the agency are working to clarify this performance measure. The unemployment insurance fund, distributed by WTS, remains stable as of March 2014 with a fund balance of $44 million.

Labor Relations	Budget: $4,874.5	FTE: 36	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
14	Percent of wage claims investigated and resolved within ninety days*		89%	91%	90%	91%	88%		Y
15	Number of discrimination claims investigated		597	589	500/125 (annual/qtr)	79	166		G
16	Percent of human rights cases that receive probable cause determinations that are resolved within one year		new	baseline	90%	36%	47%		R
17	Percentage of targeted public works inspections completed*		new	baseline	90%	100%	100%		G

Performance Report Card
Workforce Solutions Department
Second Quarter, Fiscal Year 2014

		FY12	FY13	FY14	Q1	Q2	Q3	Rating
Program Rating		Y	Y					Y

Comments: The Labor Relations Program increased the number of discrimination claims investigated above the FY14 target. First quarter performance fell below target due to a contract delay, which has been resolved, allowing the division to exceed the target in the second quarter. The new performance measure of the percentage of cases receiving probable cause determinations resolved within one year improved in the second quarter but still fell well below target. The agency reports that this performance is a rolling, cumulative percentage that will meet target by the fourth quarter.

Workforce Technology	Budget: $10,671.7 FTE: 39	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
18	The percentage the unemployment framework for automated claims and tax services applications are available during scheduled uptime	100%	100%	100%	99%	100%		G
19	Response time from system outage to restoration of service on unemployment framework for automated claims and tax services in minutes	new	13 min	20 min	4 min	10 min		G
Program Rating		G	Y					G

Comments: The response time for system outage to restoration of services more than doubled between the first and second quarters of FY14, but remained well below the performance target. The agency experienced a large increase in UI systems usage during the second quarter due to the federal government shutdown, seasonal workers, and the end of the EUC program. However, the Workforce Technology program met all performance measure targets.

Business Services	Budget: $9,723.1 FTE: 32.0	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
20	Percent of employers sampled reporting customer satisfaction	99%	98%	99%	98%	99%		G
21	Number of days to publish bureau of labor statistics provided seasonally adjusted business employment dynamics data quarterly at the state level upon receipt from the bureau of labor statistics	4 days	5 days	4 days	2 days	1 day		G
22	Number of personal contacts made by field office personnel with New Mexico businesses to inform them of available services or provide actual services*	54,858	110,069	50,000/12,500 (annual/qtr)	34,054	30,809		G
Program Rating		G	G					G

Comments: Business Services met or exceeded all performance targets.

Program Support	Budget: $26,797.7 FTE: 107	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
23	Percent of annual independent state audit prior year findings resolved	57%	69%	75%	69%	71%		Y
24	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	4 days	4 days	4 days	4 days	4 days		G
Program Rating		Y	Y					Y

Comments: Program Support continues to struggle with meeting the target for resolving audit findings, but improved over the first quarter of FY14. Three audit findings remain unresolved for the agency: 1. the new UI System's Accounts Receivable report has not been tested in production due to staff reassignment which caused delays in the reconciliation process, 2. a finding is from 2007, where it was discovered the Department is uncertain as to whom all the funds are held for or due to, and 3. a final finding is Financial Recording, Accounting and Reporting which is working on filling vacancies and a reorganization that will ensure there is dedicated staff for all aspects of reconciliations and reporting. The agency is actively working to address these findings.

* Denotes House Bill 2 Measure

Performance Report Card
State Personnel Board
Second Quarter, Fiscal Year 2014

Performance Overview: Performance results for the State Personnel Office (SPO) suggest continued need for improvement. The statewide classified service vacancy rate has improved significantly from FY12 and FY13 actuals, but remains above FY14 targets. The result for average number of days to fill a position has improved slightly from the first quarter, but is still nearly double the FY14 target and above FY12 and FY13 actuals. Results for average state classified employee compa-ratio and new-hire compa-ratio are now reported by SPO on a year-to-date basis, so while it can be accurately said that they are not meeting FY14 targets, it is difficult to ascertain if progress is being made quarterly. The results for the measure on percent of turnover for employees leaving state service are tracking below the FY14 target but above FY13 actuals. Results for state employee average overtime usage per month and percent of employees receiving overtime are tracking above the FY14 target. This should be considered a potential concern because, as SPO states in their *2013 Classified Service Compensation Report*, there is a correlation between vacancy rates and overtime hours worked.

Program	Budget: $4,519.5 FTE: 53	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Statewide classified service vacancy rate*	19.7%	16.8%	12.0%	14.3%	15.3%		R
2	Average number of days to fill a vacant position from the date of posting*	69	73	40	81	78		R
3	Average state classified employee compa-ratio*	new	99.5%	95.0%	99%	99%		Y
4	Average state classified employee new-hire compa-ratio	new	94%	91%	95.6%	95.6%		R
5	Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year	58%	93%	99%	Annual			
6	Percent of departments or agencies with over ninety percent of personnel evaluations completed	new	95%	95%	Annual			
7	Percent of new employees who successfully complete their probationary period*	58%	58%	85%	Annual			
8	Percent of turnover for employees leaving state service*	new	8%	18%	17%	13.5%		G
9	State employee average overtime usage per month and percent of employees receiving overtime	new	16 hours/ 16%	12 hours/ 12%	17 hours/ 13%	16 hours/ 18%		Y
10	Number of rule-compliance audit reviews performed during the fiscal year	5	8	5	Annual			
11	Percent of rule-compliance audit exceptions corrected within six months of discovery	100%	100%	100%	Annual			
12	Ratio of disciplinary actions to number appealed to state personnel board*	new	5:1	5:1	n/a	n/a		
Program Rating		Y	R					Y

Comments: It would be useful if all data collected by SPO was available on a quarterly basis as it would assist the Legislature in their evaluation of trends in personnel policy and practice in the state. State Personnel Office (SPO) officials are now actively pursuing training efforts for management and personnel in state agencies, and these activities should be effectively captured in FY16 performance measures to ensure an accurate representation of SPO priorities and outcomes. As stated in the SPO *FY14 2nd Quarter Workforce Report* and the *Classified Service Compensation Report*, measures for average number of days to fill a vacant position, percent of turnover for employees leaving state service, and statewide classified service vacancy rate are impacted by a number of factors beyond agency control, examples being retirement, transfer and promotional opportunities. SPO is collecting data to better track and analyze current trends. The *2013 Classified Service Compensation Report* stated significant revisions were required in the state salary structure to ensure effective recruitment and retention. As specific recommendations were not available from SPO, the Legislature partially addressed the problem in the 2014 legislative session by providing an across-the-board 3 percent salary increase to state public employees with additional targeted salary increases for certain job classifications. With some exceptions, the appropriation was approved by the Governor.

* Denotes House Bill 2 measure

Performance Report Card
General Services Department
Second Quarter, Fiscal Year 2014

Performance Overview: Some of GSD's performance measures are not easy to understand, not reproducible, cannot be used over time to track changes, and results either are not or cannot be compared to an existing benchmark or best practice. To assist with interpretation, actual findings for FY12 and FY13 and targets for FY14 are converted to raw data where helpful to the reader. In addition, when a measure that expresses a decrease reflects an increase, the measure is reworded to reflect the increase without changing the intended purpose.

Sharply rising risk and employee benefits costs continue to impact the agency. Although Risk Management has improved its risk premium allocation methods and financial reporting, the Group Benefits Committee has not met since FY12 and as such, did not provide the requisite oversight for the benefits changes for FY14 and FY15. In addition, measures are inadequate for a program that pays $350 million in medical claims each year that accounts for 75 percent of total agency expenditures. For Facilities Management, some capital projects experience cost overruns and schedule delays -- often due to incremental funding -- change orders sometimes from poor planning and procurements that delay progress. Finally, State Printing continues to be dependent upon the legislature for its print services business, which compromises the program in years with a 30 day session.

Risk Management Program	Budget: $98,089.4	FTE: 59	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Projected financial position of the public property fund*		154%	91%	50%	206%	128%		Y
2	Projected financial position of the public liability fund*		23%	38%	50%	33%	13%		R
3	Projected financial position of the workers' compensation fund*		28%	25%	30%	28%	15%		R
4	Number of employees trained on loss control and prevention		new	baseline	500	1,074	0		G
Program Rating			R	Y					Y

Comments: The risk funds have declined in recent years due to premiums held flat since the recession and increasing costs to resolve claims – this in spite of the fewer number of claims filed. The program has since improved both its rate setting process and efforts to share loss data with customer agencies. However, the program still relies on agencies to self-report, analyze trends and implement loss prevention activities, which are not always monitored for compliance with any standard or best practice.

Employee Group Health Benefits	Budget: $346,636.8	FTE: 0	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
5	Percent of prescriptions filled with generic drugs		83%	84%	80%	86%	84%		G
6	Percent of eligible state employees purchasing state health insurance		96%	94%	90%	94%	87%		R
Program Rating			Y	Y					Y

Comments: The agency has shifted health care costs into higher deductibles, co-pays and co-insurance, and raised premiums faster than worker wages. This has led to a smaller pool from some employers leaving the plan and employees waiving coverage. Out of 22,549 employees eligible for coverage, 16,849 employees enrolled which is a decrease of 1,726 enrollees from FY13. Measures for changes in contribution rates, claims and participation in wellness programs will be reported in Q4.

Facilities Management	Budget: $11,914.7	FTE: 156.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
7	Percent of maintenance services requirements completed on time		new	baseline	75%	73%	91%		G
8	Reduce consumption of natural gas MMBtu (Q4 FY10 reference year)		new	39,625 MMBtu	(3%)	15.9%	(14%)		G

Performance Report Card
General Services Department
Second Quarter, Fiscal Year 2014

9	Reduce consumption of electricity kWh (Q4 FY10 reference year)	new	21,930,273 kWh	(3%)	(15%)	(10%)		G
10	Percent of Facilities Management capital projects on schedule and within approved budget*	95%	93%	92%	89%	95%		Y
11	Decrease lease costs from previous fiscal year*	$45.5M	($1.2M)	(5%)	0%	(1%)		R
12	Decrease lease space from previous fiscal year	new	2.9M SF	(5%)	0%	0.2%		R
13	Percent of repair work orders completed on time	new	baseline	80%	77%	62%		R
Program Rating		G	Y					Y

Comments: Costs increased for electricity per unit of measurement in spite of lower consumption and efficiencies installed under the federal stimulus program and improvements in building maintenance. Out of 180 capital projects, 8 funded projects are off schedule as reflected above. However, not reflected are delays from 15 projects requiring change orders and 19 projects on hold due to incremental funding, internal processes and reasons often outside the program’s control. The agency is working to align use of space with new employment levels. Although progress has been made to reduce lease costs, there is little incentive for agencies to efficiently use buildings resulting in excess spending for utilities and square footage per FTE.

Transportation Services Program	Budget: $10,729.3 FTE: 34	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
14	Percent of state vehicle fleet beyond five-years*	15%	29%	20%	52%	59%		R
15	Increase short-term vehicle use*	new	47%	5%	3%	27%		G
16	Percent of vehicle lease revenues to expenses	97%	76%	90%	92%	108%		G
17	Increase vehicles that accumulate 1,000 miles per month	new	41%	10%	(6%)	(11%)		R
Program Rating		Y	G					Y

Comments: After a three year moratorium on vehicle replacement due to the recession, the motor pool rate structure now includes funding to reinstate a vehicle replacement cycle. Of the 1,988 fleet vehicles in Q2, about 70 percent are 5 years and older. The number should decline once older vehicles are replaced with newer vehicles. This is expected to increase short-term vehicle use due to newer fleet vehicle options and reduce operational expenses from fewer older vehicles to maintain and operate.

Procurement Services Program	Budget: $2,293.3 FTE: 28	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
18	Decrease Procurement Code violations as compared with same quarter in previous fiscal year*	new	21 violations (v)	(5%)	(20%) 4 v	260% 18 v		R
19	Number of small businesses assisted	327	1,361	325	317	0		G
20	Increase awards to companies with a New Mexico preference	new	100	5%	4%	16%		G
21	Decrease sole source procurements as compared with same quarter in previous fiscal year*	new	132	(10%)	36%	0%		Y
Program Rating		G	G					Y

Comments: Even though progress has been made improving procurement practices, some agencies do not always comply with procurement regulations and employees involved in procuring goods, services and capital assets do not always have the requisite skills and knowledge. In addition, some vendors complain of bureaucratic “red tape” which hampers them in bidding, delivering goods and securing payment. State agencies, on the other hand, complain of delays between the issue of purchase orders and the availability of goods for use. The increase in sole source procurements reflects Laws 2013, Chapter 40 and the creation of a website to track procurements. Prior to this, agencies were not required to disclose sole source or emergency procurements. An online vendor registration system is responsible for the increase in interactions with small businesses.

Performance Report Card
General Services Department
Second Quarter, Fiscal Year 2014

State Printing Program	Budget: $1,711.6	FTE: 17	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
22	Revenue generated compared with previous fiscal year*		$1,146.4	$1,565.2	$1,721.7	$150.1	$258.9		Y
23	Sales growth in revenue compared with previous fiscal year		($400.7)	36%	10%	(54%)	(45%)		R
Program Rating			Y	Y					Y

Comments: The program reports that sales revenue is down in FY14, compared with the previous fiscal year, due to a decrease in staff and losing some of its customer base. However, when compared with the previous year with a similar 30 day session, which accounts for 50 percent of annual sales revenue, the program projects a slight increase in revenue from FY12.

Program Support	Budget: $3,769.6	FTE: 37	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
24	Percent of payments to vendors within thirty days		new	100%	100%	100%	95%		Y
Program Rating			G	G					Y

Comments: The program reports it did not meet a self-imposed accounts payable processing target of two days due to staff vacancies. Measures related to audit findings resolved and prior year accounts receivables collected will be reported in fourth quarter.

* Denotes House Bill 2 measure

Performance Report Card
Taxation and Revenue Department
Second Quarter, Fiscal Year 2014

Performance Overview: Process improvements over the past 18 months and successful efforts to fill vacancies resulted in dramatic improvements in Motor Vehicle Division (MVD) field office and call center wait times for the second quarter. Wait times in field offices were just over 15 minutes and call center wait times were just under five minutes. Additionally, in February the department announced it executed an agreement with a vendor for the new MVD driver and vehicle information technology system long in the planning; the system is estimated to cost $16 million and be completed in fiscal year 2016. Finally, tax collections, including delinquent property tax collections, are on target to meet goals for the fiscal year.

Tax Administration	Budget: $31,188.9	FTE: 507	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Collections as a percent of collectable audit assessments generated in the current fiscal year * (cumulative)		64.2%	66%	55%	5.5%	33.7%		G
2	Collections as a percent of collectable outstanding balances from end of the prior fiscal year* (cumulative)		18.4%	17.6%	18%	9.5%	12.6%		G
3	Percent of electronically-filed personal income tax and combined reporting system returns *		82.1%	84.9%	85%	82%	84%		G
Program Rating			G	G					G

Comments: In FY13 the Tax Administration Program received approval from the State Personnel Office to reclassify auditors at a more competitive, higher pay band to help the department recruit and retain qualified auditors. First and second quarter assessments totaled $22.4 million, of which $13.3 million is less than 90 days old, $6.6 million is in protest, and $40 thousand has been abated or in bankruptcy. This leaves a collectable balance of $2.4 million. Collections were $814 thousand at the end of the second quarter resulting in collections at 33.7 percent of collectable audit assessments. The program continues to exceed targets for electronically-filed tax returns.

Motor Vehicle	Budget: $26,730.7	FTE: 348	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
4	Average call center wait time to reach an agent, in minutes*		6:41	6:52	6:00	8:52	4:44		G
5	Percent of registered vehicles with liability insurance*		91.8%	90.9%	92%	90%	90.8%		Y
6	Average wait time in q-matic equipped offices, in minutes*		25:06	24:42	20	23:23	15:41		G
Program Rating			Y	Y					G

Comments: Wait times for both field offices and the call center improved dramatically in the second quarter. The department notes that process improvements implemented over the past 18 months are paying off, resulting in improved customer service. Additionally, and of critical importance, the department was able to maintain lower vacancy rates this quarter which typically has an immediate and positive impact on wait times. The program recently implemented a centrally-controlled q-matic system that ensures consistent use of the equipment and improves data reliability.

Property Tax	Budget: $3,320.3	FTE: 41	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
7	Percent of counties in compliance with sales ratio standard of eighty-five percent assessed value to market value *		97%	97%	92%	Annual			
8	Amount of delinquent property tax collected and distributed to counties, in millions		11.3	12	$7	$3.6	$2.6		G
Program Rating			Y	G					

Comments: Property taxes contribute approximately $1.5 billion of revenue to New Mexico's counties annually. After two and a half years of non-payment, delinquent property tax accounts are transferred to the Property Tax Division for collection pursuant to Section 7-38-62 NMSA 1978. In FY13, the program returned approximately $12 million in delinquent property tax obligations to New Mexico's counties, an all time high. The department is poised to exceed its FY14 goal of $7 million.

Compliance Enforcement	Budget: $2,192.4	FTE: 28	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
9	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year*		15%	66.7%	40%	50%	25%		G

Performance Report Card
Taxation and Revenue Department
Second Quarter, Fiscal Year 2014

10	Successful tax fraud prosecutions as a percent of total cases prosecuted	100%	100%	100%	Annual			
Program Rating		Y	Y					G
Comments: For the second quarter, two cases were assigned to investigators but none were referred for prosecution; in the first quarter, two cases were assigned to investigators and one was referred for prosecution. This measure is cumulative for the year.								
Program Support	Budget: $20,715.0 FTE: 187	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
11	Percent of driving-while-intoxicated drivers license revocations rescinded due to failure to hold hearings in ninety days* (cumulative)	.20%	0.5%	<1.0%	0.4%	0.4%		G
Program Rating		G	G					G
Comments: A total of 1,153 implied cases were scheduled for the first quarter. Of these, five cases were rescinded due to department error. The program is on track to meet its annual target.								

* Denotes House Bill 2 measure

Performance Report Card
Department of Information Technology
Second Quarter, Fiscal Year 2014

Performance Overview: Fiscal year 2014 begins with some significant challenges facing the Department of Information Technology (DoIT). The department made progress correcting problems associated with its FY12 audit for which it received a qualified opinion; however, outstanding findings include the need for improved SHARE controls, such as periodic review of user access, and a finalized departmental business continuity disaster recovery plan. Although DoIT has found it difficult to recruit members and achieve a quorum for the state's Information Technology Commission (ITC, responsible for providing oversight for the state's IT initiatives) the ITC successfully elected officers in the second quarter and expects to meet again on March 31, 2014. Finally, DoIT is working to stabilize the state's SHARE financial accounting system and unofficial reports indicate the department recently transferred the SHARE system to new hardware -- a significant step toward stabilizing the system. It is not known whether or for how long the department will continue to keep software upgrades for the system on hold. It is expected the department will provide the ITC a briefing regarding system upgrades during the March 31 meeting.

	Compliance and Project Management Budget: $855.8 FTE: 7	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Monthly number and budget of approved information technology professional services contracts and amendments	new	99/ $236M	Explanatory	53/ $246M	56/ $34M		
2	Number and appropriated budget of executive agency certified projects reviewed monthly for oversight requirements.	new	64/ $340M	Explanatory	65/ $344M	67/ $369M		
	Program Rating							

Comments: The program discontinued measures for percent of certified information technology projects and contracts reviewed because it was standard practice to review all of them. For fiscal year 2014, staff will report on output measures only. The program continues to report status information on the state's 10 largest IT projects.

	Enterprise Services Budget: $51,940.7 FTE: 168	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
3	Queue-time to reach a customer service representative at the DoIT help desk, in seconds*	14	12	<19	8	9		G
4	Service desk calls resolved by priority:							
	Priority 1 (8 hours)	new	64%	90%	78%	78%		Y
	Priority 2 (24 hours)	new	37%	90%	56%	49%		R
	Priority 3 (40 hours)	new	51%	90%	69%	85%		Y
	Priority 4 (80 hours)	new	83%	90%	67%	100%		G
	Priority 5 (60 hours)	new	100%	90%	100%	100%		G
5	Percent of mainframe uptime affecting user access or batch scheduling *	100%	100%	99.9%	99.4%	99.9%		G
6	Percent of scheduled uptime the statewide human capital management suite of the statewide human resource, accounting and management reporting (SHARE) system is available during business hours	98.9%	99.6%	99.9%	100%	99.8%		Y
7	Percent of scheduled uptime the financial suite of the statewide human resource, accounting and management reporting (SHARE) system is available during business hours	98.9%	99.6%	99.9%	100%	99.8%		Y
	Program Rating	G	Y					Y

Comments: The department implemented a new help desk tracking application to better monitor its customer service. DoIT has put SHARE software upgrades on hold until stabilization efforts are complete; however, there were no major disruptions to the system in the second quarter of FY14.

Performance Report Card
Department of Information Technology
Second Quarter, Fiscal Year 2014

Program Support		Budget: $3,293.6	FTE: 35	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
8	Percent of audit corrective action plan commitments completed on schedule*			50%	n/a	95%	Annual			
9	Percent of mainframe services meeting federal standards for cost recovery*				n/a	100%	Annual			
10	Percent of voice, data and radio services meeting federal standards for cost recovery				n/a	100%	Annual			
11	Percent of accounts receivable dollars collected within sixty days of the invoice due date			81%	45%	75%	66%	90%		G
12	Dollar amount of receivables over 60 days, in millions			$7.2	$7.1	$7.5	$5.9	$7.0		G
Program Rating				G	Y					G

Comments: Measure 9 above refers to the percent of audit corrective action plan commitments completed on schedule per the FY12 financial audit completed December 17, 2012 (FY14 results indicate corrective actions per the FY13 audit completed December 2013). In FY12 the department received a qualified opinion and identified 6 findings, including the lack of adequate capital asset management, the inability to reconcile accounts receivable, unbilled receivables for telephone usage, budget overspending in other finance uses categories, and the lack of a finalized business continuity and disaster recovery plan. DoIT's FY13 audit was "unmodified" and contained no material weaknesses; however, the department is still in need of improved SHARE controls such as an IT security policy and a finalized departmental business continuity disaster recovery plan.

* Denotes House Bill 2 measure

New Mexico IT Projects by Agency - FY14 Q2 Status Report*

Agency	Project description	Total State Appropriations	Total Federal	Est. Total Cost	Spent to Date	Project Stage	Est. End Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
333 TRD	**MVD Driver Reengineering:** Replace the MVD Driver and Vehicle Systems with an integrated system.	$16,000,000	$0	$40,500,000	$20,000	Planning	6/30/2016	Final contract award with FAST Enterprises including IV&V and project management.	Completion of planning phase.	Estimated completion date for the driver component is 04/30/15; the vehicle component completion date is 06/30/16. MVD processes continue to run on antiquated legacy applications and IT staff vacancies and lack of expertise remain a risk. However, TRD management is highly motivated to resolve the issues and very involved in the effort. "Spent to date" for the new system is reset from the cancelled HP contract (May 2011); some of the $4 million invested in the failed Milagro project can be leveraged for the new project. Approximately $16.3 million in previous general fund appropriations is available for the new project. To date, TRD spent approximately $20 thousand for contractual services to aid with vender selection.			
333 TRD	**GenTax Upgrade:** 1) Upgrade GenTax V6 to V9 2) Replace Refunds/TOP V5 module with core Refunds/TOP V9 module 3) Provide TRD with a Business Credit Module 4) Pilot a stand-alone version of the data warehouse programs into the GenTax Data Warehouse 5) Improved reporting	$6,230,000	$0	$6,230,000	$4,632,439	Implement	6/30/2014	Business requirements for the business credit manager modules completed December 2013.	Vendor reviewing business requirements and ensuring all requirements have been included in the design specifications.	Project is within scope, schedule and budget. TRD reported $5.8 million in increased revenue since it began the upgrade. General fund appropriation was $6 million in 2012. In 2013 the department requested an additional $1 million to purchase "enhanced maintenance" for the system, which includes 4 dedicated contract developers to support system upgrades and increased functionality such as improved fraud detection. The department states the total annual cost of the enhanced maintenance for GenTax is $2.75 million.			
333 TRD	**ONGARD** Mainframe Modernization: Full business process analysis and upgrade of oil and natural gas administration and revenue database system to the American Petroleum Institute (API) standard (expand current well number by four digits and add additional processing logic for horizontal drilling)	$6,100,000	$0	$4,000,000	$1,700,000	Initiation	1/1/2015	Technical writer support for ONGARD RFP for Business Process Analysis.	RFP under development; PCC certification will occur after RFP responses are received from bidders.	Stabilization of ONGARD largely completed; the system can run on DoIT's newly-upgraded mainframe. The planning phase of the solution was scheduled to begin in early February. After planning, the vendor will produce a quote for implementing the solution. The team also completed a function point analysis (FPA - provides a set of rules to functionally-size the software work product). Since the first FPA (2008) the number of lines of code has been reduced from over 5 million to about 3 million through analysis of unused screens and processes.			
361 DoIT	**SIRCITS:** (Statewide Integrated Radio Communication Internet Transport System) -- Two Part Project: 1) Complete Analog to Digital Microwave (DMW) conversion statewide to provide Middle Mile Broadband service, and; 2) Design and Build a Public Safety 700Mhz LTE Last Mile Service in Abq and Santa Fe.	$17,000,003	$38,699,997	$55,700,000	$45,563,693	Implement	7/31/2013	Completed design and construction at 27 sites. Antenna, waveguides, and routers/radios installed in more than 60 sites; over 1,300 miles have been put into production service. Memorandum of agreement for the spectrum lease completed and signed.	FCC permits for final approvals; final equipment purchases. Ongoing site construction at four additional sites. Start coverage analysis and design of the LTE system.	The independent verification & validation (IV&V) contractor maintained the overall status at "yellow" because the project lacks an updated project schedule. The IV&V contractor noted that without the project schedule it is impossible to determine whether the project is on schedule or not; nevertheless, the contractor noted the project continues to make progress. Construction on Coyote and Eureka sites and the antenna installation on Tesuque Peak have been delayed until spring due to weather.			

Agency	Project description	Total State Appropriations	Total Federal	Est. Total Cost	Spent to Date	Project Stage	Est. End Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
361 DoIT	**NM State Broadband Initiative:** The New Mexico Broadband Program (NMBBP) is mapping and planning broadband availability within NM. Includes planning, capacity building, and technical assistance elements. Project will implement strategic planning initiatives to determine the underserved populations and facilitate broadband adoption.	$1,332,544	$4,762,287	$6,094,831	$3,457,520	Implement	1/13/2015	Mini-strategic broadband plans for telemedicine, education, and economic development.	Gap analysis for senior centers including tribes; development of a statewide broadband education and training strategic plan; and creation of a business plan to support a public/private partnership entity that will continue most of the NMBBP tasks.	The project is within scope, schedule and budget. Increased project activities led to higher demand on project manager for contract monitoring, deliverable review and other administrative functions. Project successfully completed a site visit by the National Telecommunications and Information Administration (NTIA); NTIA requested DoIT draft a success story on the project to use in an upcoming congressional report.			
361 DoIT	**Narrowbanding:** Migration from Wide Band to Narrow Band of statewide 2-way radio communications per FCC mandate. Narrowbanding ensures more efficient use of the spectrum and greater spectrum access for public safety and non-public safety users.	$4,150,000	$0	$4,150,000	$4,054,250	Implement	12/31/2013	About 85% of the reprogramming of mobile and portable radios has been initiated.	Project close-out.	Project is within scope, schedule and budget. DoIT monitors key indicators through periodic quality assurance reporting.			
341 DFA	**SHARE Cash Reconciliation Project:** Correct business processes and improper configuration of the original SHARE system which prevented timely and accurate cash reconciliation. An end goal for the DFA on this project is an audited Comprehensive Annual Financial Reports (CAFR)	$654,086	$0	Unknown	$654,086	Implement	TBA	Close-out of Deloitte contract to correct business processes, reconfigure SHARE and train end users.	The department continues standardization of business practices across agencies and planning for how to address unreconciled historical balances.	LFC staff met with DFA staff for an update on the cash reconciliation project. DFA continues to make progress with monthly book to bank cash reconciliation and provided LFC with monthly management reports used to track the process. DFA indicated they will continue to report to LFC monthly on this process. The reports highlight whether there were any reconciling items and amounts and include a narrative description of any issues identified and how they were resolved. The DFA requested a $2 million special appropriation in 2014 to address historical unreconciled balances; a contract to research past items will be finalized this spring, and likely will be procured through a price list agreement rather than RFP. The state's unaudited FY12 CAFR reported the contingent liability against the state's general fund reserve at an additional $31million, bringing the total to $101million.			
361 DoIT	**SHARE Replatform (hardware upgrade):**	$2,850,000	$0	Unknown	$2,850,000	Planning	TBA	Close-out of Deloitte contract to correct business processes, reconfigure SHARE and train end users.	Production monitoring and closeout.	Improved performance and stability are expected now that SHARE is reportedly operating on new hardware. Unfortunately, it appears DoIT was unable to use previously-purchased hardware. The project had been delayed while the DoIT stabilized the system and developed a new approach. **Note: The LFC is waiting for an official response from DoIT regarding its request for an update on the status of this project.**			
361 DoIT	**SHARE Software Upgrade:**	$5,000,000	$0	$0	Unknown	Planning	TBA	Contractor (Oracle) completed *SHARE Financials Upgrade Project Upgrade Delta Analysis* report (needs assessment) July 2013	DoIT will reassess with the help of a contractor and begin the planning phase anew.	In February 2013 the DoIT made a special request for funding to stabilize and upgrade SHARE; however the request came late and was not reviewed through the normal appropriation vetting process for large IT projects. The appropriation was contingent on monthly written status reports and IV&V reports to the DFA, although to date none of the appropriation appears to have been used. Delay of this upgrade impacts other state IT systems such as the HSD ASPEN project, which require the completed upgrade for some necessary program interfaces. **Note: The LFC is waiting for an official response from DoIT regarding its request for an update on the status of this project.**			

Agency	Project description	Total State Appropriations	Total Federal	Est. Total Cost	Spent to Date	Project Stage	Est. End Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
630 HSD	**ISD2 Replacement (ASPEN):** Replace Income Support Division (ISD), Integrated Service Delivery (ISD2) Systems into one integrated system: 1) Calculation Engine (ISD2) 2) Client Tracking System (CTS) 3) Claims System -- Refunds and Intercepts 4) Incorporate Health Care Reform	$18,497,513	$96,389,438	$118,760,357	$76,306,357	Implement	2/1/2014	Wave 3 rollout to four locations in Albuquerque.	Affordable Care Act (ACA) functionality; wave 4 (clean-up) and decommission the previous ISD2 Legacy system.	Wave 4 will be the final wave and is scheduled for implementation March 2014. The goal of Wave 4 is to clean up and complete conversion to ASPEN of all the closed cases in ISD2 (old Legacy system) and LIHEAP (energy assistance program). Currently, 23 requirements have been identified for Wave 4 and are ready for leadership approval. ISD2 system decommission plans are being developed. The current goal is for ISD2 to be decommissioned by April 2014.			
630 HSD	**MMIS Enhancements Project:** Design, develop and implement 11 subsystem enhancements to the NM Medicaid Management Information System (MMIS). The MMIS ("OmniCaid") is owned by HSD and hosted by the state fiscal agent Xerox State Healthcare.	$1,446,038	$12,031,188	$13,477,226	$11,262,300	Implement	3/2/2015	Web portal upgrade.	International statistical classification of diseases and related health problems - 10th edition (ICD-10) remediation.	Quality of IV&V services improved following management request for more robust involvement of the contractor. IV&V noted the project lacked a "central respository" in which all Centennial Care requirements were documented, maintained and traced through each phase of the development cycle. Consequently, IV&V could not fully determine if all phase 3 requirements were tested adequately. IV&V requested improved documentation, including a "traceability matrix" for future developments. The trend for the project remains "static" because Business team resources continue to struggle to review and approve documentation in a timely manner. Xerox continues to work ahead "at risk" to meet implementation deadlines. This is a documented risk that has been accepted by the project management team.			
631 DWS	**UI Tax:** Implementation of a new UI System that will replace the Tax, Claims, and Program Integrity applications.	$0	$48,902,806	$48,884,811	$48,902,806	Implement	12/31/2013	2013 sequestration cuts implemented	Deloitte and Kemtah close out work.	The DWS system went live January 7, 2013, and was largely successful although not without issues, including long call center wait times and delays in UI claims determinations, some of which persist. Performance of the new system is tracked by federal metrics for benefit timeliness and quality. Federal funding amounts are estimates; the WSD continues to receive funding for ongoing system enhancements beyond original project estimates. DoIT reports the project has made substantial progress including much-needed reconciliation of the project's past spending records.			
690 CYFD	**EPICS** is a multi-phase/multi year project to consolidate CYFD's legacy system (FACTS) and 25+ stand-alone systems into one enterprise-wide web application. The system will support program efforts to build a rapid response to federal, state and local requirements. A comprehensive view of clients and providers will increase productivity, direct client care and client safety.	$4,826,700	$5,680,067	$10,506,767	$3,057,103	Implement	6/30/2017	Phase 1 Provider Management completed; Phase 2 Planning for Child Care Assistance completed.	Phase 1: Pre-deployment external training; Phase 2: design; Phase 3: Race to the Top - planning.	In June 2013, the team was compelled to remove the planned automated SHARE interface from phase I of the project due to ongoing delays with efforts to update the state's SHARE system; CYFD has since implemented a contingency plan for manual reporting to the Department of Finance and Administration (DFA). Project is tracking within scope, budget and schedule.			

Source: DoIT IT project status reports, agency status reports, project certification committee documents, IV&V reports, and LFC analysis.

Performance Report Card
Administrative Office of the Courts
Second Quarter, Fiscal Year 2014

Performance Overview: The Administrative Office of the Courts continues to struggle to contain costs in the jury and witness fund. The Judicial Automation Program is continuing implementation of an electronic case management system. Preliminary results of a workload study commissioned by AOC indicate implementation of the new case management system has resulted in efficiency gains in district and magistrate courts. The Magistrate Court Program has been forced to maintain vacancies, but has not seen significant service interruptions.

Administrative Services Program	Budget: $11,268.8	FTE: 41.8	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
1	Average cost per juror*		$49.76	$51.93	$50.00	$58.92	$56.67		Y
Program Rating			G	Y					Y
Comments: The main driver of costs in the jury and witness fund is interpreter costs; AOC is trying to come into compliance with federal Title VI, which requires courts to make interpreters available to parties involved in criminal and civil litigation. This requirement led to a sharp increase in payments to interpreters: in FY02, interpreter costs made up 17.6 percent of jury and witness expenditures, but as of FY13, interpreter costs account for 36 percent of fund expenditures. Despite reducing juror pay, fund expenditures continue to increase. Since FY08, the AOC has only reached designated targets in FY09 and FY12.									
Judicial Automation Program	Budget: $9,070.0	FTE: 51.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
2	Average time to resolve automation calls for assistance, in hours*		8.6	16.7	10.0	12.3	n/a		
Program Rating			G	Y					Y
Comments: The Judicial Information Division (JID) is currently in the process of implementing the Odyssey case management system (CMS) in the Metropolitan Court (Metro Court) in Bernalillo County. The Metro Court is the busiest in the state in terms of volume of cases. Further complicating implementation is the existing CMS; Metro Court developed its own, customized CMS which is tailored to the needs of the court. The level of customization required has resulted in JID doing more software design and integration than was necessary during implementation in district and magistrate courts. JID estimates the new CMS will be implemented by March, 2014. It is likely that transition to the new CMS in Metro Court will result in an increase in time to resolve calls for assistance as the Odyssey user base will increase significantly. The rollout of the CMS in Metro Court has resulted in staff re-assignments to the court and delayed reporting on measure 2.									
Magistrate Court Program	Budget: $29,086.7	FTE: 342	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
3	Bench warrant revenue collected annually, in millions*		$3.08	$3.30	$3.10	$0.78	$0.76		G
4	Percent of cases disposed as a percent of cases filed*		101.7%	101.1%	95.0%	Annual			
Program Rating			G	G					G
Comments: The warrant enforcement program within magistrate courts is on track to meet the target for bench warrant revenue collected annually. AOC reported an FY14 warrant enforcement fund balance of $2.3 million. Much of this funding will been used to pay lease costs in magistrate courts statewide. AOC provides data for measure 4 on an annual basis.									
Special Court Services Program	Budget: $9,353.7	FTE: 4.5	FY12 Actual	FY13 Actual	FY14 Target	Q1	Q2	Q3	Rating
5	Number of monthly supervised child visitations and exchanges conducted*		1,258	1,022	1,000	998	978		Y
6	Number of children to whom court-appointed special advocates (CASA) volunteers are assigned*		n/a	1,553	1,200	1,356	146		G
Program Rating			G	G					G
Comments: AOC requested measure 6 be changed to reflect children served rather than cases to which a CASA volunteer is appointed because a single case may include multiple children though a CASA volunteer may serve only one child in a case. The first quarter total for measure 6 is high because it counts ongoing cases and cases initiated in the first quarter. It is likely the total will decrease significantly in quarters two through four.									

* Denotes House Bill 2 measure

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone: (505) 986-4550 • Fax: (505) 986-4545

David Abbey
Director

LFC INVESTMENT REPORT FOR THE QUARTER ENDING DECEMBER 31, 2013

This report details the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC). It explains how the returns generated by the three investment agencies differed from that of the archetypical fund and how their management and consultants added or subtracted value. Long-term performance is an important metric, and therefore this report includes fund returns and comparative rankings for the one-year, three-year, five-year, and ten-year periods and attribution analysis for the quarter and the one and three-year periods.

The Trust Universe Comparison Service (TUCS) reports robust gains for global stock markets in the fourth quarter of 2013, ending a year of consistently positive returns across all four quarters. According to TUCS, the U.S. economy continued to show signs of increased strength. Real Gross Domestic Product grew at an impressive annual rate of 4.1 percent in the third quarter motivated by the momentum of the solid 2.5 percent growth rate in the second quarter. Consumer inflation measured through the Consumer Price Index – All Urban Consumers (CPI-U) shows prices actually fell in the fourth quarter (-0.47 percent). Future growth prospects remain optimistic in the face of all economic sectors, indicating the U.S. economic recovery is on solid footing. In its December meeting, the Federal Open Market Committee announced plans to begin contraction of its monetary stimulus of $75 billion-per-month bond purchasing program by $10 billion per month, starting in January 2014.

TUCS notes the U.S. stock market, represented by the Wilshire 5000 Total Market Index, posted a total return in the fourth quarter of 10.11 percent compared to 6.03 percent in the third quarter. 2013 ended with a total return of 33.06 percent, reflecting its best annual results since 1995. Bond yields drifted down in October then reversed course and rose in November and December. The front runner 10-year U.S. Treasury yield ended the year at 3.04 percent, its highest level since July 2011 a full 126 basis points higher than its yield at year-end 2012.

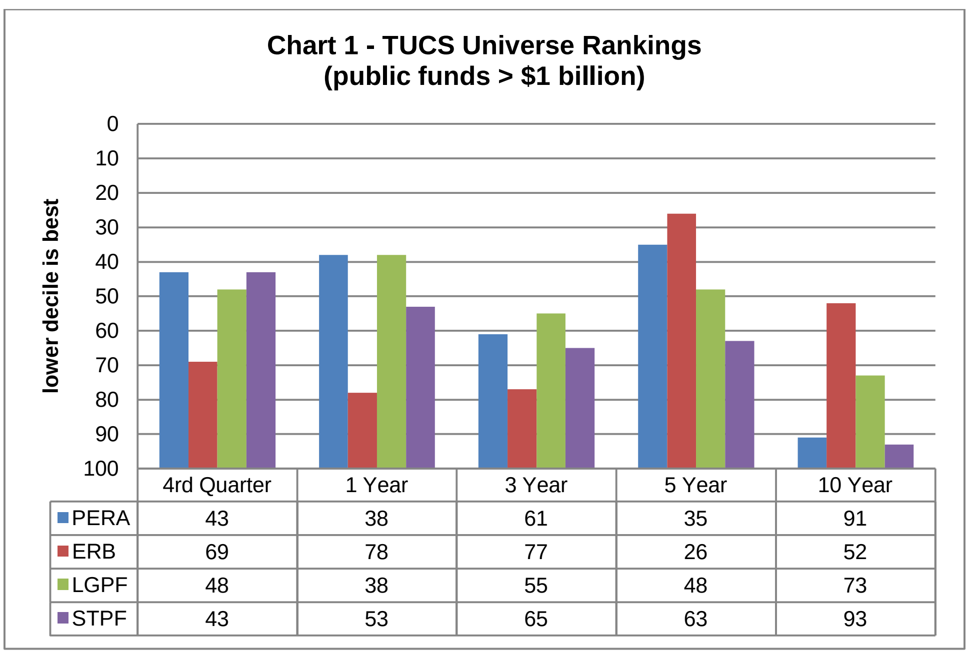
Returns and Ending Balances. Table 1 shows the respective funds' ending balances and compares the investment agencies' returns for the quarter and the one, three, five, and ten-year periods. The annual target returns for the three investment agencies are 7.5 to 7.75 percent. Although the agencies' returns for the quarter fall below the target, the one, three, and five-year returns exceed the target. Ten-year returns include lesser investment performance in the aftermath of the recession and are lower than the target.

Table 1				
Returns and Ending Balances as of December 31, 2013				
Returns (%)	PERA	ERB	LGPF	STPF
Quarter	5.34	4.38	5.11	5.23
1-Year	16.54	11.96	16.28	15.61
3-Year	9.46	8.64	9.68	9.34
5-Year	12.67	13.29	12.49	11.83
10-Year	6.30	7.17	6.78	6.10
Ending Balance ($B)	11.74	9.42	13.36	4.47

Source: Investment Agency Reports

The returns and balances of the Severance Tax Permanent Fund (STPF) and Land Grant Permanent Fund (LGPF) are shown separately. A portion of the STPF is invested in Economically Targeted Investments (ETIs) that typically yield below-market because the investments are not targeted solely at delivering returns. The SIC, as authorized by the Legislature, can justify an ETI's reduced level of expected financial return, with the expected economic development benefits that the investment are expected to deliver. The LGPF does not have ETIs in its portfolio and so is a better gauge of SIC's performance. The difference in return between the two is a rough approximation of the opportunity cost of these initiatives.

<u>Peer Total Return Rankings</u>. Chart 1 shows peer total return rankings for the agencies' large funds for the quarter, one, three, five, and ten-year periods. A lower rank (1st is best) denotes better performance when compared to other funds. All of the comparisons are made using the Wilshire Trust Universe Comparison Service (TUCS), a benchmark for the performance and allocation of institutional assets that includes approximately 85 public funds with more than $1 billion in assets.



	4rd Quarter	1 Year	3 Year	5 Year	10 Year
PERA	43	38	61	35	91
ERB	69	78	77	26	52
LGPF	48	38	55	48	73
STPF	43	53	65	63	93

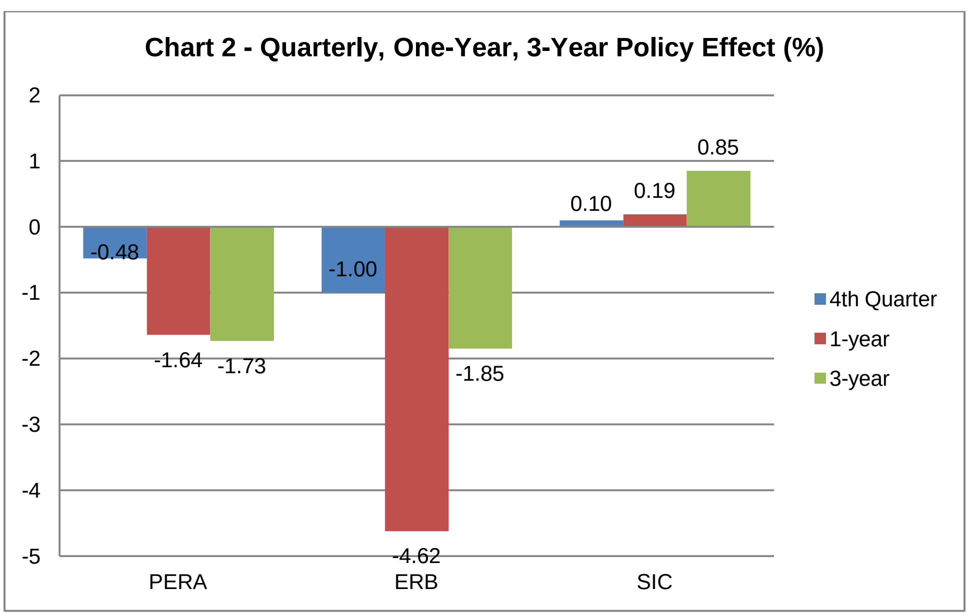
For the quarter, PERA's rank of 43 remained in the second quartile, lower than the ranking of its one-year performance, but better than its ranking over the last three, and ten years. PERA's ten-year ranking remains the second lowest of the four funds in the universe but their five-year ranking is the highest of all the periods for PERA.

ERB returned another subpar quarterly performance – its one- and three-year performance rankings improved but also remain subpar in the fourth quartile. The fund's five-year ranking saw a big gain over the previous quarter sitting just outside of the first quartile, while the ten-year shows a lower ranking than in the previous quarter (38th percentile).

Both funds invested by SIC saw a significantly higher performance in the current quarter compared to the previous quarter. The LGPF's quarterly and five-year performance moved from sub-par to just over par in the 48th percentile for both while the one-year term also improved to the 38th percentile. The three-year period ranked in the 55th percentile while the long-term ranking saw an improvement from the previous quarter to the 73rd percentile. The STPF's quarterly ranking showed significant improvement from the previous quarter as it sits on the lower end of the second quartile. Improvements were seen in the one-, five-, and ten-year periods; however, the fund's performance remains below average. As noted in the previous two quarters, the SIC restructured its portfolio by changing its asset allocation and individual investment managers in an effort to improve returns while lowering risk. SIC's improved results could be attributed in part to these changes.

<u>Attribution Analysis</u>. There are three basic ways that a fund's returns can differ from the average: the policy, allocation, and manager effects.

Policy Effect. A fund can have a long-term policy allocation (known as the "policy index") target that has a more or less aggressive proportion of risky assets such as stocks. For example, if risky domestic assets such as U.S. stocks (equities) performed well, an index that has more domestic equities should outperform the average. Measured in isolation, such a change in performance is known as the "policy effect," and it is an essential responsibility of the fund's trustees.



The most appropriate measurement of a policy allocation benchmark is a comparison to a defined peer group. Chart 2 shows the funds' policy effect as measured by comparing the funds' policy indices to the TUCS median fund actual return to allow uniformity and consistency across the three funds. The TUCS median return is gross of the allocation and manager effects, and the measure is therefore a rough estimate of the policy effect. (The investment agencies' policy target allocations are included in Figure 1, on page 8 of this report.)

PERA's policy allocation returned 0.48 percent less than the median fund in the quarter, 1.64 and 1.73 percent less during the one and three-year period, respectively. As was mentioned in the previous LFC investment report, PERA adopted new policy targets in 2012 that raised the domestic equity target from 27 to 29 percent, lowered the international equity target from 27 to 20 percent, lowered the absolute return asset target from 9 percent to 7 percent and added a "liquid alpha" allocation of 5 percent, which had no share of the portfolio allocation at the end of the last two quarters. In periods where equities perform well, PERA's 2012 changes to its investment policy that increased the allocation to the liquid alpha asset class in favor of equities may have resulted in a lower policy effect. However, this less risky and more diverse allocation could limit losses in periods where stocks do not perform well.

The SIC's LGPF policy calls for a 37 percent allocation toward domestic equities, and a 15 percent allocation toward non-U.S. equities. The SIC's policy allocation delivered 10 basis points above the median fund in the quarter, and 19 basis points above the median fund during the year. The policy delivered 85 basis points above the median fund in the three-year term, 32 basis points less than in the previous quarter.

In contrast to both PERA's and SIC's policies, ERB's policy calls for a lesser exposure to equities (37 percent) in favor of fixed income assets; this is because ERB is a relatively mature fund with relatively high near term payout commitments. ERB's quarterly policy index performed 90 basis points below the TUCS median fund performance, and the policy effect over the last year was -412 basis points. ERB notes the large effect for the one-year period is mainly due to the agency's lower policy weight in equities in general, and particularly in domestic equities, which performed well during the year. Further, ERB has a higher policy weight to emerging markets whose performance trailed that of developed markets[1], causing the higher allocation to hurt returns.

Allocation Effect. The second way that a fund's return can be affected is by deviation from asset allocations called for by policy. As a matter of practice, investment officers are constantly confronted with allocation decisions when transitioning or rebalancing portfolio managers or asset classes. Asset prices and values can vary in the short run, causing the allocation toward an asset class to drift from its long term target. Almost all rebalancing policies contain some flexibility for staff or the chief investment officer to operate within set boundaries. The three funds constantly see contributions coming in and distributions going out. Further, cash is being generated in some portions of the portfolio, and called or used in others, which can also cause asset allocations to deviate from policy. The investment officer may have the option of letting money sit in cash or incurring the cost of temporarily covering the allocation through the futures market or some other avenue, depending on policy authority. Rebalancing authority afforded the chief investment officer is dictated by investment policy, resulting in differing degrees of authority delegated by each fund.

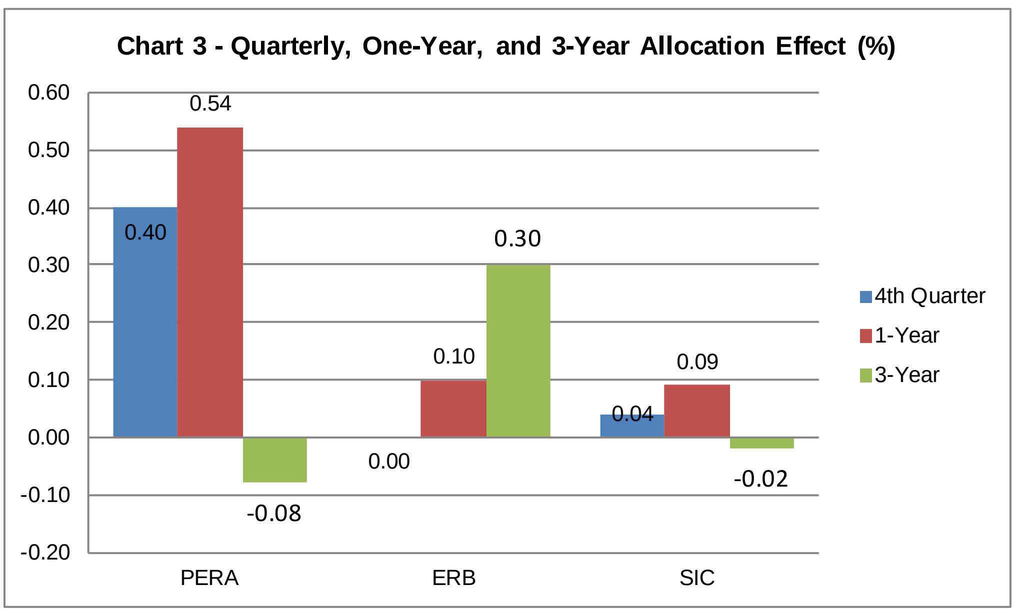
[1] http://blogs.wsj.com/moneybeat/2014/01/03/for-emerging-markets-2013-couldnt-end-soon-enough/

The difference between the funds' temporary and long-term allocation is known as the "allocation effect" and is interpreted as investment return added or lost. Chart 3 shows the allocation effect graphically for the quarter, one-year, three-year, and five-year periods.

PERA gained 40 basis points during the quarter due to an overweight in international and domestic equities despite underweight in real assets. As PERA's allocation continues the transition from equity to private assets, this overweight should decrease. In the one-year period, PERA gained 54 basis points due to underweight real assets and absolute return and overweight domestic and international equity.

ERB's fourth quarter allocation effect was 0. ERB's one-year allocation effect of a positive 10 basis points resulted from value gained by deviation from allocation targets in U.S. equities and opportunistic credit and offset by a reduction in value due to an underweight in the private equity allocation

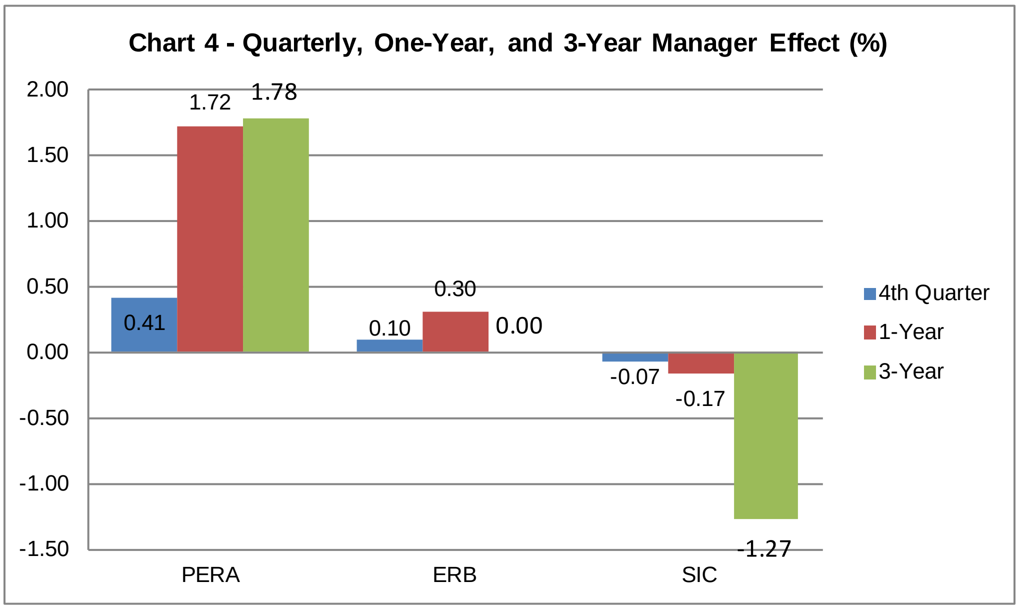
During the quarter, SIC's return was 4 basis points above the median due to deviations including underweight to non-U.S. equity, real return and to real estate, which offset value lost due to overweight in Fixed Income and cash. The one-year allocation effect for the SIC was a positive 9 basis points. Value added by underweight to real estate and to real return nearly offset lost value from overweight to fixed income assets. SIC notes that funds seek to minimize the magnitude of the allocation effect as deviations from policy do not tend to occur intentionally in an effort to increase returns. According to SIC, an over allocation to fixed income and cash equivalents hindered the portfolio, but overall asset allocation helped performance due to an overweight to US equity and underweight to non-US equity, real return, and real estate.



Manager Effect. The third way that value can be added or subtracted from a fund is through the use of active management. For instance, a fund can buy a security such as the institutional version of the Standard & Poor's Depository Receipts (SPDRS) commonly used by retail investors. These securities are composed of a relatively fixed basket of securities that track the S&P 500 index. Alternatively, the fund can employ a manager who will trade individual securities given his perspective of individual stocks.

This is known as "active" investing. The difference between the return of the index and the portfolio of the active manager is known as the "manager effect."

Chart 4 shows manager effects for all three agencies during the quarter, one-year, and three-year periods. PERA's managers contributed to a quarterly manager effect of 41 basis points; SIC[2] showed a loss of 7 basis points; and ERB's manager effect in the quarter was +10 basis points. PERA's 172 basis points manager effect was realized in domestic equities and fixed income assets. ERB's managers gained 0 basis points driven by offsetting gains and losses in opportunistic credit and GAA, respectively. SIC's one-year manager effect was a negative 17 basis points. Value added in fixed income, real return, and absolute return assets did not offset value lost in non-U.S. and private equity and real estate. SIC notes despite low asset class returns, fixed income managers added the most value to the portfolio in the fourth quarter. However, overall manager value add was negative.



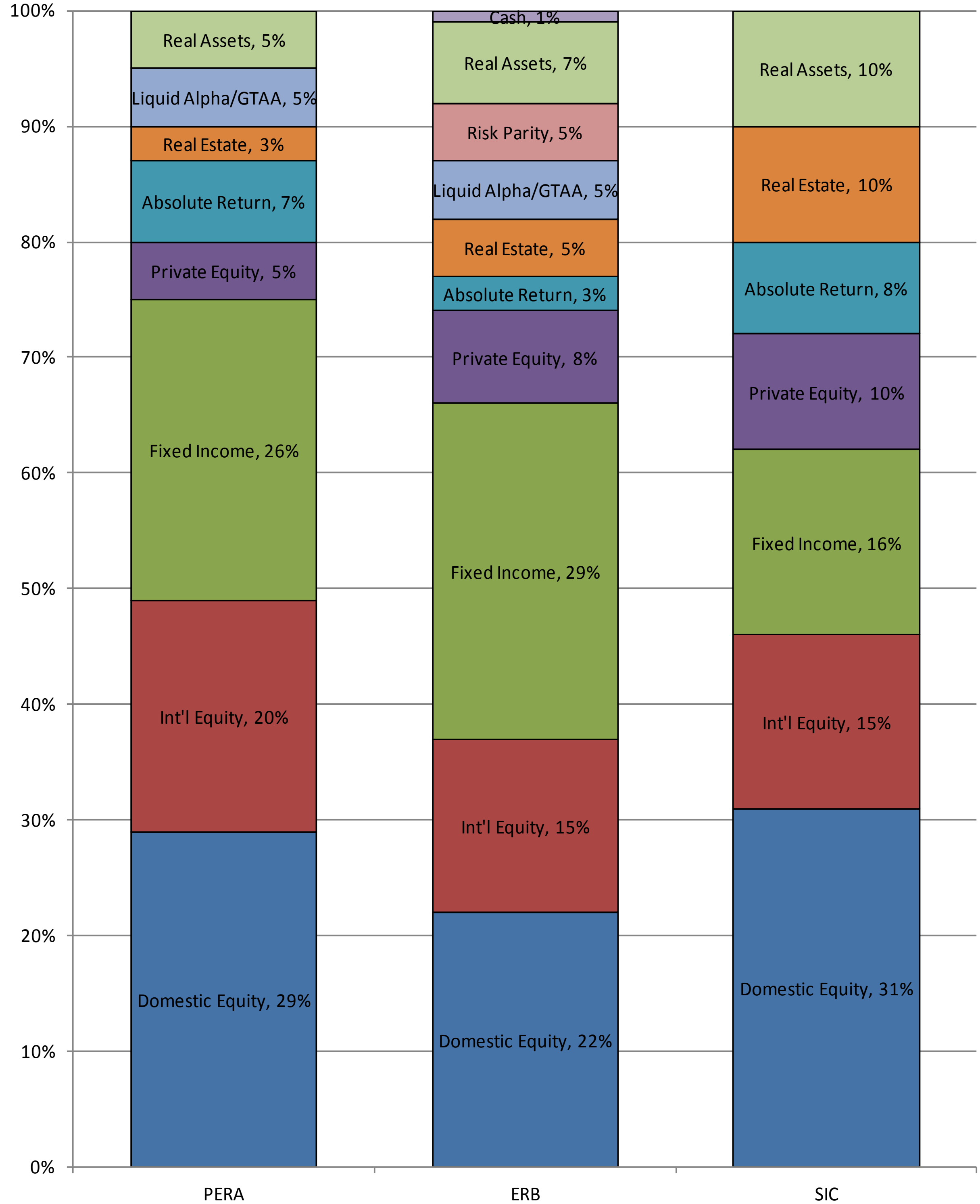
Summary. The market environment and the funds' quarterly performance can be summarized as follows:

- After weaker performance across most asset classes in the first two quarters, global stock markets saw strong gains in the face of investor concerns regarding political negotiations of the federal budget. Like in the third quarter, the economy continued gaining positive momentum in the fourth quarter in part by signs real GDP has grown faster than expected (3.2 percent growth after increasing by 4.1 percent in the third quarter) and by an unemployment rate below 6.7 percent in December (lowest level since 2008) and an increase of consumer confidence above 78 points
- The U.S. stock market, represented by the Wilshire 5000 Total Market Index, posted a total return of 10.11 percent in the fourth quarter to post a remarkable 33.06 percent return for 2013, marking its best annual return since climbing 36.45 percent in 1995

[2] The SIC notes that its net-of-fees performance analysis is based upon an estimate of SIC's investment performance developed by RV Kuhns.

- Like in the previous quarter, all three agencies' one-year investment returns exceeded their respective long-term, target returns (Table 1). However, long term returns continue to fall below the targets
- PERA's quarterly returns were in the second quartile of peer funds. Returns were aided by positive allocation and manager effects. The fund's one-year performance was in the 38th percentile. During the one and three-year periods, PERA's investment managers substantial value through active management.
- ERB performance was driven by an investment policy that calls for a lesser exposure to equities in favor of fixed income assets. This less risky policy contributed to returns in the bottom third of peer funds in the quarter. Stocks performed well in the one-year period, and ERB's lower exposure to equities resulted in the fund ranking in the 78th percentile of peer funds, a gain of 10 spots from the previous quarter. Value was added by deviations from this policy
- Quarterly investment returns of the LGPF and the STPF ranked in the 48th and 43th percentiles, respectively. These rankings are significantly higher than in the previous quarter by 17 and 32 positions, respectively. However, a negative manager effect detracted slightly from returns in the quarter and one-year periods, and more significantly in the three-year period. Finally, while an underweight to non-US equity and real return helped improve STPF performance, an underweight to U.S. equity and fixed income hurt returns. The SIC also notes legacy issues from investments predating the current council are affecting returns, adding that some of these are in private equities with longer-term investment horizons.

Figure 1 - Investment Agency Policy Allocations



Source: PERA, ERB, and SIC Investment Policies